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Arizona Corporation Commission

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Via Overnight Mail

December 2, 2011

Arizona Corporation Commission
Attn: Docket Filing Window
1200 West Washington Street
Phoenix, AZ 85007

Re: Docket No. E-01345A-11-0224

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ARIZONA CORPORATION COMMISSION
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Dear Sir or Madam:

Attached please find the original and 13 copies each of the DIRECT TESTIMONY AND EXHIBITS OF STEPHEN J. BARON ON COST OF SERVICE/RATE DESIGN on behalf of THE KROGER CO. for filing in the above-referenced matter.

All parties of record have been served. Please place this document of file.

Very Truly Yours,

Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY

John William Moore, Jr., (Az. Bar No. 021942)

COUNSEL FOR THE KROGER CO.

KJB/kew
Attachments

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) and regular U.S. mail 2nd day of December, 2011 on the parties listed below.



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

DIRECT TESTIMONY

AND EXHIBITS

OF

STEPHEN J. BARON

ON

COST OF SERVICE/RATE DESIGN

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2011 DEC - 2 P 2:29

RECEIVED

ON BEHALF OF THE

KROGER CO.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

December 2011

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
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**BEFORE THE
ARIZONA CORPORATION COMMISSION**

| | | |
|---|---|------------------------------------|
| IN THE MATTER OF THE APPLICATION OF |) | |
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| THEREON, TO APPROVE RATE SCHEDULES |) | |
| DESIGNED TO DEVELOP SUCH RETURN |) | |

DIRECT TESTIMONY OF STEPHEN J. BARON

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Stephen J. Baron. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. What is your occupation and by who are you employed?

A. I am the President and a Principal of Kennedy and Associates, a firm of utility rate, planning, and economic consultants in Atlanta, Georgia.

J. Kennedy and Associates, Inc.

1
2 **Q. Please describe briefly the nature of the consulting services provided by**
3 **Kennedy and Associates.**

4 A. Kennedy and Associates provides consulting services in the electric and gas utility
5 industries. Our clients include state agencies and industrial electricity consumers.
6 The firm provides expertise in system planning, load forecasting, financial analysis,
7 cost-of-service, and rate design. Current clients include the Georgia and Louisiana
8 Public Service Commissions, and industrial consumer groups throughout the United
9 States.

10
11 **Q. Please state your educational background.**

12 A. I graduated from the University of Florida in 1972 with a B.A. degree with high
13 honors in Political Science and significant coursework in Mathematics and
14 Computer Science. In 1974, I received a Master of Arts Degree in Economics, also
15 from the University of Florida. My areas of specialization were econometrics,
16 statistics, and public utility economics. My thesis concerned the development of an
17 econometric model to forecast electricity sales in the State of Florida, for which I
18 received a grant from the Public Utility Research Center of the University of Florida.
19 In addition, I have advanced study and coursework in time series analysis and
20 dynamic model building.

21
22 **Q. Please describe your professional experience.**

1 A. I have more than thirty years of experience in the electric utility industry in the areas
2 of cost and rate analysis, forecasting, planning, and economic analysis.

3
4 Following the completion of my graduate work in economics, I joined the staff of
5 the Florida Public Service Commission in August of 1974 as a Rate Economist. My
6 responsibilities included the analysis of rate cases for electric, telephone, and gas
7 utilities, as well as the preparation of cross-examination material and the preparation
8 of staff recommendations.

9
10 In December 1975, I joined the Utility Rate Consulting Division of Ebasco Services,
11 Inc. as an Associate Consultant. In the seven years I worked for Ebasco, I received
12 successive promotions, ultimately to the position of Vice President of Energy
13 Management Services of Ebasco Business Consulting Company. My
14 responsibilities included the management of a staff of consultants engaged in
15 providing services in the areas of econometric modeling, load and energy
16 forecasting, production cost modeling, planning, cost-of-service analysis,
17 cogeneration, and load management.

18
19 I joined the public accounting firm of Coopers & Lybrand in 1982 as a Manager of
20 the Atlanta Office of the Utility Regulatory and Advisory Services Group. In this
21 capacity I was responsible for the operation and management of the Atlanta office.
22 My duties included the technical and administrative supervision of the staff,

1 budgeting, recruiting, and marketing as well as project management on client
2 engagements. At Coopers & Lybrand, I specialized in utility cost analysis,
3 forecasting, load analysis, economic analysis, and planning.

4
5 In January 1984, I joined the consulting firm of Kennedy and Associates as a Vice
6 President and Principal. I became President of the firm in January 1991.

7
8 During the course of my career, I have provided consulting services to more than
9 thirty utility, industrial, and Public Service Commission clients, including three
10 international utility clients.

11
12 I have presented numerous papers and published an article entitled "How to Rate
13 Load Management Programs" in the March 1979 edition of "Electrical World." My
14 article on "Standby Electric Rates" was published in the November 8, 1984 issue of
15 "Public Utilities Fortnightly." In February of 1984, I completed a detailed analysis
16 entitled "Load Data Transfer Techniques" on behalf of the Electric Power Research
17 Institute, which published the study.

18
19 I have presented testimony as an expert witness in Arizona, Arkansas, Colorado,
20 Connecticut, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Maryland,
21 Michigan, Minnesota, Missouri, New Jersey, New Mexico, New York, North
22 Carolina, Ohio, Pennsylvania, Texas, Utah, Virginia, West Virginia, Wisconsin,

1 Wyoming, before the Federal Energy Regulatory Commission ("FERC"), and in
2 United States Bankruptcy Court. A list of my specific regulatory appearances can be
3 found in Exhibit____(SJB-1).
4

5 **Q. Have you previously presented testimony before the Arizona Corporation**
6 **Commission?**

7 A. Yes. I presented testimony in three previous Arizona Public Service Company rate
8 cases on behalf of Kroger Co. in 2004, 2006 and in 2008 (Docket Nos. E-01345-03-
9 0437, E-01345A-05-0816 and E-01345A-08-0172). I also presented testimony in
10 two Tucson Electric Power Company proceedings; in 1981 on behalf of the
11 Commission (Docket No. U-1933I) and in 2008 on behalf of Kroger Co. (Docket
12 No. E-01933A-07-0402).
13

14 Finally, I previously presented testimony on decoupling issues in this APS rate case.
15

16 **Q. On whose behalf are you testifying in this proceeding?**

17 A. I am testifying on behalf of the Kroger Co. Kroger has approximately 36 stores in
18 the APS service territory operating under the names Fry's, Fred Meyer and Smith's.
19 These stores consume in excess of 100 million kWh per year on the APS system.
20

21 **Q. What is the purpose of your testimony?**

1 A. I will be presenting testimony on the Company's class cost of service study, the
2 allocation of the proposed revenue increase to rate schedules and APS's proposed
3 Schedule E-32 L, Large General Service rate design.

4
5 Though I believe that the Company's 4 Coincident Peak production demand
6 allocation methodology used by APS in its jurisdictional allocation study is also the
7 most appropriate method to allocate these demand related production costs to rate
8 classes, I accept the Company's Average and Excess Demand method in this case.¹

9 The AED method provides a reasonable basis to assess cost responsibility in this
10 case. As I will discuss, based on the Company's AED cost study, there are
11 substantial differences between the rates paid by residential and general service
12 customers and the cost to provide service to these customers. Specifically, the
13 Company's own study shows that residential customers are currently receiving very
14 substantial dollar subsidies and underpaying rates, relative to cost of service. At the
15 same time, general service customers are paying substantial subsidies. Despite this
16 finding, the Company's proposed increases to its Residential and General Service
17 rate classes do not provide a material level of mitigation to this disparity between
18 cost of service and rates. I will address this issue and recommend that the

¹ Kroger is not presenting testimony on the Company's requested revenue increase in this case. For purposes of my testimony, I have utilized the APS requested effective increase of \$194 million (\$95 million plus the net effect of the PSA and RES roll-ins). This should not be construed as an endorsement of the Company's requested increase.

Commission adopt an alternative rate spread that more reasonably reduces intra-class subsidies using the APS class cost of service results.

With regard to rate design, I generally agree with the Company's proposed modifications to the E-32 L rate design; specifically the proposal to eliminate the hours use kWh block in the rate and shift demand related fixed costs to the kW demand charge of this rate. As I will discuss, this proposal is consistent with cost based rate design.

Q. Would you please summarize your recommendations?

A.

- **For the purposes of assessing the reasonableness of the Company's proposed allocation of the revenue increase to rate schedule in this case, APS' proposal to use an Average and Excess Demand ("AED") class cost of service method is reasonable. The AED method is a traditional cost of service method that recognizes the role of both customer kW demand and energy in cost causation. Unlike other weighted demand and energy methodologies, the AED method gives a reasonable weighting to the importance of class demands in the allocation of the system's fixed production costs to rate classes.**
- **Though APS states that it has given some recognition to the cost of service results in its proposed rate schedule increases in this case, the Company's proposed rate spread does not reasonably reduce the current level of intra-rate class subsidies. For example, despite the fact that Rate E-32 L is currently paying rates substantially above cost of service, the Company is proposing a non-fuel, non-transmission rate increase to Rate E-32 L of 17.59%, well above the retail average increase of 11.4% (\$194 million) on total revenues, less fuel and transmission revenues.**

A more appropriate rate spread, which I am recommending in this case, would increase all general service rate schedules by 3.73 percentage points less than the 11.4% retail average increase, while increasing the residential class by 3 percentage points more than the retail average. This rate spread more

1 reasonably corresponds to the cost of service study results in this case. Table 4
2 provides my recommended rate spread for all classes, based on the Company's
3 filed overall revenue increase. Assuming an overall revenue increase of 11.36%
4 on total revenue less fuel and transmission, general service rates should be
5 increased by 7.63% and residential class should be increased by 14.36%, on a
6 non-fuel, non-transmission revenue basis.
7

- 8 • APS is proposing to eliminate the hours use rate design for Rate E-32 L
9 (greater than 400 kW demand) and move the demand related costs currently
10 being recovered in this hours use kWh charge into the kW demand charges of
11 the rate. This proposal is reasonable and consistent with a cost based rate.
12
- 13 • APS is proposing larger increases to higher load factor E-32 L customers than
14 to lower load factor customers. There is no evidence to support this rate
15 design. The Company's E-32 L rate should be modified such that, after
16 accounting for the shift of demand cost recovery from the 1st hours-use energy
17 block to the demand charge (as proposed by APS), the restructured demand
18 and energy charges should be increased by a uniform percentage, following the
19 three step procedure described in my testimony.
20

• **II. REVENUE ALLOCATION AND COST OF SERVICE**

Q. Have you reviewed the Company's 12 month ending December 2010 test year cost of service study filed in this proceeding?

A. Yes. The Company is utilizing a traditional Average and Excess Demand ("AED") class cost of service study in this proceeding to allocate production related demand costs. In many past cases, APS used a 4 CP allocation method because of the pronounced demands on the system during the summer months, though in the Company's 2008 case, APS adopted the AED method.² In the prior three APS base rate cases, I supported the Company's use of the 4 CP method and continue to do so in this case. The fact that the Company is continuing to rely on the 4 CP methodology to allocate jurisdictional costs indicates that it is an appropriate methodology for APS, given the load characteristics of the system and the significance of summer peak loads on generation costs.

Q. Do you believe that the Company's proposal to use the AED method for retail class cost of service allocation provides a reasonable basis to evaluate the relationship between the rates being charged each rate class and the underlying cost of providing service to these customers?

² APS is continuing to use a 4 CP methodology in its jurisdictional cost allocation study in this case.

1 A. Yes, while I would prefer the 4 CP method in this case for class cost of service, it is
2 appropriate to use the AED method for the purpose of assessing the reasonableness
3 of the Company's proposed allocation of the revenue increase to rate schedule. The
4 AED method is a traditional cost of service method that recognizes the role of both
5 customer kW demand and energy in cost causation. Unlike other weighted demand
6 and energy methodologies, the AED method gives a reasonable weighting to the
7 importance of class demands in the allocation of the system's fixed production costs
8 to rate classes.

9
10 **Q. How should the results of the Company's class cost of service study be used in**
11 **this case?**

12
13 A. The purpose of an embedded, fully allocated class cost of service study is to assess
14 the reasonableness of a utility's rates, in relation to the underlying cost of providing
15 service to the customers on each rate class. As a matter of policy, it is both efficient
16 and equitable to establish rates on the basis of the cost of service and, to the extent
17 feasible, to move rates towards cost of service in a rate case in which a utility is
18 requesting a change in revenues. In other words, a rate case, such as the current
19 APS proceeding, is an opportunity to evaluate the Company's rates and make
20 incremental adjustments so that, over time, each class will pay rates reflecting cost
21 of service. In so doing, rates paid by each customer will provide efficient "price
22 signals" reflecting the resource cost of meeting customer demands. In addition, cost

1 based rates provide an equitable basis to assign the Company's overall revenue
2 requirement to customers. In this manner, customers in one rate class do not pay or
3 receive unjustified monetary subsidies from other rate customers.

4
5 **Q. How do the Company's current rates compare to the underlying cost of**
6 **service?**

7
8 A. A good measure of this rate versus cost relationship is the relative class rates of
9 return at present rates. This measurement, which is the ratio of a class's rate of
10 return relative to the average retail earned rate of return, provides a good summary
11 of the rate versus cost relationship, based on the results of the Company's AED cost
12 of service study.

13
14 **Q. What are the class relative rates of return results produced by the Company's**
15 **test year AED cost of service study?**

16
17 A. The table below summarizes the rates of return and the relative rate of return indices
18 ("ROR Index") for each of the major rate classes using the results of the Company's
19 AED study.

| TABLE 1 Comparison of Relative Rates of Return Average and Excess Demand Cost of Service Study Present Rates | | |
|---|---------------------------|------------------|
| <u>Class</u> | <u>Rate of Return</u> | <u>ROR Index</u> |
| Residential | 6.08% | 0.73 |
| General Svc | 11.86% | 1.43 |
| E-20 (Church Rate) | 3.95% | 0.48 |
| E-32 TOU | 14.45% | 1.74 |
| E-30, E-32 (0-100 kW) | 13.25% | 1.60 |
| E-32 (101-400 kW) | 11.77% | 1.42 |
| E-32 (401+ kW) | 10.90% | 1.31 |
| E-34 | 9.41% | 1.13 |
| E-35 | 8.85% | 1.07 |
| Irrigation | 6.06% | 0.73 |
| Street Light | 7.19% | 0.87 |
| Dusk to Dawn | 9.76% | 1.18 |
| Total Retail | 8.29% | 1.00 |

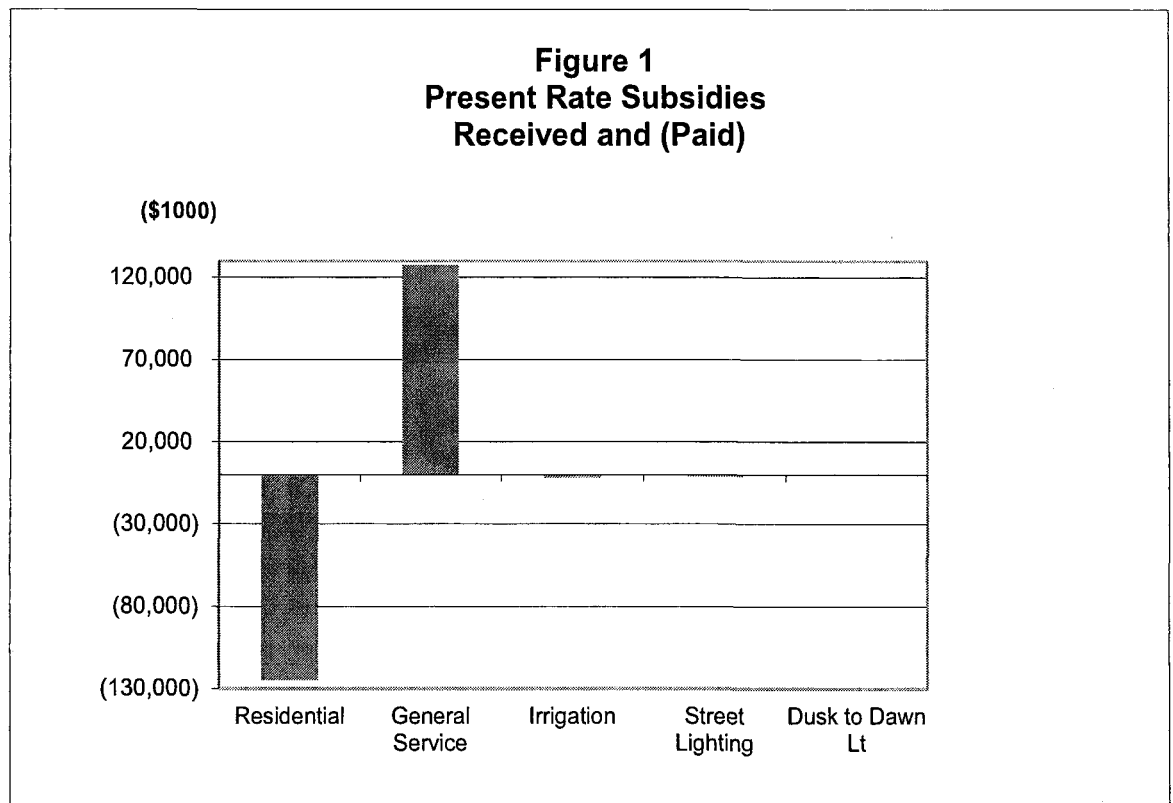
Based on these results, the residential class is paying only 73% of its allocated cost of service under present rates, while general service customers are paying a relative rate of return that is approximately 143% of the system average. This is a substantial difference and one that should be addressed in this rate proceeding.

Q. How do these relative rates of return results compare to the results in the Company's prior 2008 rate case (Docket No. E-01933A-07-0402)?

1 A. In the 2008 rate case, the APS cost of service study showed that the residential class
2 was paying only 75% of its allocated cost of service under the then existing present
3 rates, while general service customers were paying a relative rate of return that was
4 approximately 130% of the system average. Essentially, there was zero progress
5 made in moving rates towards cost of service in the last rate case; in fact, general
6 service customers now are further from cost of service than they were at the time of
7 the last rate case.

8
9 **Q. Have you computed the dollar subsidies being paid and received by each rate**
10 **class at present rates, based on the results of the 2010 Company's cost of**
11 **service study filed in this case?**

12
13 A. Yes. Figure 1 below shows the dollar subsidies paid and received at present rates.
14 As can be seen, the residential class is receiving (shown as a positive value) over
15 \$125 million in subsidies at present rate from other rate classes. At the same time,
16 general service customers pay annual subsidies of over \$125 million. These results
17 are based on the Company's filed AED class cost of service study, without any
18 adjustments. These subsidies have actually grown substantially since the
19 Company's last base rate case. Baron Exhibit__(SJB-2) shows the calculation of
20 these subsidies by rate schedule.



1
2
3
4 **Q. Has APS made rate spread proposals in this case that adequately address the**
5 **substantial disparities between present rates and cost of service?**

6 A. Not in my opinion. APS states that it is requesting an "overall increase in retail base
7 rates of \$95,493,000, which is a 3.33% increase over adjusted test year base
8 revenues.³ Based on this overall increase, APS is proposing to increase residential
9 rates by 3.95% and general service rates by 2.64%. APS witness Charles Miessner
10 states that this rate spread is based on the results of the Company's class cost of

³ Direct Testimony of Charles Miessner at page 3, line 23.

1 service study and gradualism. While I agree with the Company's principles
2 governing its proposed rate spread (cost of service and gradualism), I disagree that
3 the Company has reasonably applied these principles in its rate spread
4 recommendation.

5
6 As I showed above in Table 1 and in Figure 1, the residential class is currently
7 paying rates substantially below cost of service, while general service customers are
8 paying rates substantially above cost. Based on this cost of service data, general
9 service rates should receive a below average increase and residential customers
10 should receive an above average increase in this case.

11
12 **Q. Doesn't the Company's rate spread proposal result in a lower overall increase**
13 **to general service customers?**

14 A. No. While the Company has presented its increase in this case as a \$95 million,
15 3.3% base rate increase, this is misleading and does not correctly portray the
16 increases that are actually being requested by APS in this case. In addition, as I will
17 demonstrate, when the full effect of the Company's proposed increase is properly
18 reflected in the analysis, general service rates are actually being increased by more
19 than the retail system average and residential rates are being increased by less than
20 the system average.

1 **Q. Would you explain why the actual APS proposal in this case is a \$194 million**
2 **increase, rather than \$95 million?**

3 A. While it is true that the "base rate" increase request is \$95 million, APS customers
4 currently receive a \$143 million PSA credit that is being rolled in to base rates. This
5 credit will no longer be available in the PSA, but rather included directly in base
6 rates. The real impact on customers is thus \$95 million plus \$143 million. In
7 addition, the Company is transferring \$45 million into base rates from the existing
8 REAC charge. This transfer has the opposite effect on rates from the PSA roll-in;
9 the RES/REAC charges are reduced by \$45 million and base rates are increase by
10 \$45 million. When these two transfers are netted against the \$95 million reported
11 base rate increase, the true "base rate" increase to APS retail customers is \$194.093
12 million.

13
14 **Q. What is the impact of the actual \$194 million requested increase on APS rates?**

15 A. Baron Exhibit __ (SJB-3) shows the Company's proposed increases for each rate
16 class and on an overall retail basis. This analysis calculates the percentage impacts
17 on present rate revenues, excluding fuel revenues and transmission revenues.⁴ Since
18 the Company's requested increase in this case does not include fuel or transmission
19 costs, it is appropriate to examine the APS proposal exclusive of these two revenue
20 sources. In other words, fuel costs and transmission costs are not at issue in this

⁴ The PSA and RES roll-in impacts by rate schedule have been provided by APS in response to AEEC 1.1. The base fuel amounts in present rates have been calculated using the approach used by APS in LRS_WP1.

1 case. Also, the class cost of service study, which APS states has been relied
2 (together with gradualism) to apportion the overall increase to rate classes, reports
3 class rates of return under the assumption that fuel and transmission revenues equal
4 fuel and transmission expenses for each rate class.

5
6 The problem with the APS rate spread, which is summarized in Mr. Miessner's
7 Schedule H-1, is that it ignores the roll-in effects of the PSA, and the REAC, and
8 calculates the percentage increases on present revenues that include all fuel and
9 transmission revenues, even though these costs are not affected by the proposed rate
10 change. By failing to remove the effect of the PSA roll-in, the Company's reported
11 rate schedule increases show a disproportionate benefit to high load factor rates that
12 doesn't exist, because the Company fails to also include the loss of the PSA credit (it
13 zeros out as a result of the roll-in). Since the PSA roll-in is revenue neutral on a
14 total system basis and on a rate schedule basis, it is appropriate to remove these fuel
15 revenues when evaluating the true impact of the Company's rate spread
16 recommendation.

17
18 As shown in Exhibit __ (SJB-3), the true overall increase requested by APS, as a
19 percent of revenues, excluding fuel and transmission revenues, is 11.36%. This is
20 the increase on retail revenues at issue in this case. Residential rates are being
21 increased by 11.10% and APS is proposing that general service rates receive an
22 11.73% increase. However, within the general service class, a number of individual

rate schedules are receiving increases substantially above the retail average. Table 2 below summarizes the Company's proposed increases by rate class, including details for general service rate schedules.

| TABLE 2 APS Proposed Increases (% Increases on Base Revenues, Less Fuel and Transmisson) | | |
|--|------------------------------|--------------------------------|
| <u>Class</u> | <u>Proposed Increase</u> | <u>Proposed % Increase</u> |
| Residential | 102,029 | 11.10% |
| General Svc | 88,421 | 11.73% |
| E-20 | 219 | 9.90% |
| E-30 | 38 | 3.33% |
| E-32 TOU | 2,837 | 16.11% |
| E-32 (0-20 kW) | 5,983 | 4.28% |
| E-32 (21-100 kW) | 9,199 | 5.11% |
| E-32 (101-400 kW) | 22,441 | 12.50% |
| E-32 (401+ kW) | 26,933 | 17.59% |
| E-34 | 8,170 | 22.72% |
| E-35 | 12,601 | 28.59% |
| Irrigation | 2,047 | 15.96% |
| Outdoor Lighting | 1,339 | 8.87% |
| Dusk to Dawn | 257 | 3.46% |
| Total Retail | 194,093 | 11.36% |

As can be seen from the table, Rate E-32 L ("401 + kW") customers will receive an increase of 17.59 under the APS proposed rate spread, compared to the average retail increase of 11.36%. This is about 150% of the average increase, despite the fact that Rate E-32 L is earning an above average rate of return (index of 1.31). There simply is no basis for the Company's proposal, which is clearly inconsistent

1 with the stated objectives relied on by APS (cost of service, gradualism). At the
2 same time, APS is proposing an average percentage increase to the residential class,
3 despite the fact that residential customers are currently paying rates covering only
4 73% of cost of service. As I noted, the entire general service rate class is receiving a
5 system average increase, despite the fact that present rates are substantially above
6 cost of service.

7
8 **Q. Does the Company's proposed rate spread result in a reduction in the dollar**
9 **subsidies that exist in present rates?**

10 A. Not in any material manner. Table 3 shows a comparison between present and
11 proposed subsidies by rate schedule based on the Company's rate spread.

| Table 3 | | | |
|--|-----------------------|------------------------|-------------------------|
| APS Present and Proposed Rate Class Subsidies | | | |
| (\$1,000) | | | |
| <u>Class</u> | <u>Present</u> | <u>Proposed</u> | <u>Subsidy</u> |
| | <u>Subsidy</u> | <u>Subsidy</u> | <u>Reduction</u> |
| Residential | (125,177) | (124,161) | 1.02 |
| General Service | 127,407 | 126,771 | (0.64) |
| Irrigation | (1,686) | (1,482) | 0.20 |
| Street Lighting | (1,226) | (1,590) | (0.36) |
| Dusk to Dawn Lt | 682 | 462 | (0.22) |

12
13
14 **Q. What conclusions have you made regarding the Company's proposed rate**
15 **spread?**

A. The APS proposal is not reasonable, is inconsistent with the Company's own objectives, and will only exacerbate the existing disparities between rates and cost of service.

Q. Have you developed an alternative rate spread recommendation that more reasonably reflects the APS cost of service results and gradualism?

A. Yes. Baron Exhibit __ (SJB-4) shows the development my recommended rate spread that reduces rate/cost disparities and reflects gradualism. Table 4 summarizes my recommendation.

| TABLE 4 | | | |
|--------------------------------|--------------------------|----------------|---------------------------------|
| Recommended Rate Spread | | | |
| <u>Class</u> | <u>Proposed Increase</u> | <u>Percent</u> | <u>% Deviation From Average</u> |
| Residential | 132,018 | 14.36% | 3.00% |
| General Svc | 57,498 | 7.63% | -3.73% |
| Irrigation | 1,843 | 14.36% | 3.00% |
| Street Light | 2,167 | 14.36% | 3.00% |
| Dusk to Dawn | 567 | 7.63% | -3.73% |
| Total Retail | 194,093 | 11.36% | 0.00% |

Q. Does your recommended rate spread eliminate all rate subsidies?

1 A. No. I recognize that this would not be realistic, given the impact on residential
2 customers. It would also be inconsistent with the regulatory concept of gradualism.
3 Though this would be an ideal result and one that should be recognized as a longer-
4 term goal in future rate proceedings, I am not recommending the elimination of all
5 subsidies in this proceeding. However, there is no justification for increasing the
6 disparities, given the existing situation. Some mitigation of the subsidies should be
7 made in this case. At the same time, it is unreasonable to completely ignore the
8 results of the Company's cost of service study.
9

1 **Q. How does APS' proposed E-32 L energy charge compare to the unit energy**
2 **cost per kWh from the Company's cost of service study?**

3 A. Table 5 below shows this comparison. After removing the base fuel cost from both
4 the unit cost rate per kWh and the proposed energy rate, the proposed non-fuel
5 energy rate is 40% to 70% higher than cost of service. This difference cannot be
6 justified, even considering the subsidy amount added to Rate E-32 L. Since the
7 subsidy is effectively an additional rate of return paid built into the rate, it is
8 reasonably related to rate base. The energy portion of E-32 L rate base is less than
9 1% of the overall rate base assigned to this rate schedule. Thus, even the large
10 dollar subsidy built-in to the E-32 L rate cannot justify the excessive non-fuel
11 energy charge proposed by APS.

| Table 5 Rate E-32 L Unit Energy Cost | | | | |
|---|-----------------------|------------------|-------------------------------|----------------|
| | <u>Unit Cost Data</u> | <u>Base Fuel</u> | <u>Non-Fuel Unit Cost</u> | <u>Percent</u> |
| Energy Related Rev. Req. | 140,655,737 | | | |
| E-32 L kWh | 3,647,138,609 | | | |
| Unit Energy Cost | 0.038566 | 0.03242 | 0.00615 | |
| Proposed E-32 L Energy Rate | | | | |
| Summer | 0.059350 | 0.03242 | 0.02694 | |
| Winter | 0.042490 | 0.03242 | 0.01008 | |
| Excess Non-Fuel Energy Charge | | | | |
| Summer | | | 0.02078 | |
| Winter | | | 0.00392 | |
| Excess Non-Fuel Energy Charge - Percent | | | | |
| Summer | | | | 77.2% |
| Winter | | | | 38.9% |

Table 6 shows an analysis of the proposed increase in the E-32 L non-fuel energy rate. As can be seen, on a weighted average basis (summer and winter charges weighted by respective period kWh), the Company is proposing a 39% increase to this charge. Finally, the table also shows that APS' proposed non-fuel energy rate should actually be decreased on a cost of service basis by 55%.

| Table 6 Rate E-32 L Excess Energy Rate Analysis | | | | |
|---|---------------------------|-----------|-----------------------|---------------------|
| | Present/Proposed Rates | Base Fuel | Non-Fuel Unit Cost | Percent Increase |
| Present E-32 L Energy Rate (2nd Blk) | | | | |
| Summer | 0.05902 | 0.03757 | 0.02145 | |
| Winter | 0.04239 | 0.03757 | 0.00482 | |
| Weighted Average | | | 0.01386 | |
| Proposed E-32 L Energy Rate | | | | |
| Summer | 0.059350 | 0.03242 | 0.02694 | |
| Winter | 0.042490 | 0.03242 | 0.01008 | |
| Weighted Average | | | 0.01924 | |
| APS Proposed Increase in Non-Fuel Energy Rate | | | | |
| Summer | | | 0.00549 | 25.6% |
| Winter | | | 0.00526 | 109.1% |
| Weighted Average | | | 0.00538 | 38.8% |
| Increase Supported by Unit Cost of Service (based on wtd. Avg. rates) | | | | -55.6% |

Based on these results, the Company's E-32 L rate should be modified such that, after accounting for the shift of demand cost recovery from the 1st hours-use energy block to the demand charge (as proposed by APS), the restructured demand and energy charges should be increased by a uniform percentage. To accomplish this objective, it is appropriate to use a three step process:

1. Remove demand costs from the 1st hours-use energy block of the present rate and shift these costs to the demand charge of the rate. This is a revenue neutral change.
2. Pro-form the proposed level of base fuel into the present rate, reflecting the Company's proposed roll-in of the PSA.
3. Uniformly increase both demand and energy charges (as revised in steps 1 and 2) based on the approved base rate increase in this case.

1 Applying this three step approach sequentially, will produce a reasonable set of
2 increases to Rate E-32 L customers and not result in large than average increases to
3 higher load factor E-32 L customers.

4

5 **Q. Does that complete your testimony?**

6 **A. Yes.**

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

**EXHIBITS
OF
STEPHEN J. BARON**

**ON BEHALF OF THE
KROGER CO.**

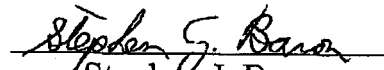
**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

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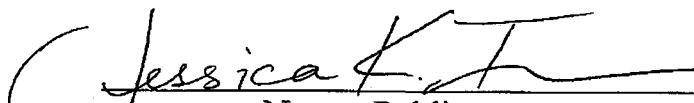
STATE OF GEORGIA)

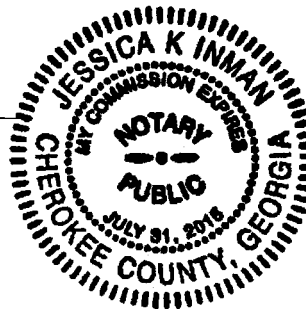
COUNTY OF FULTON)

STEPHEN J. BARON, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.


Stephen J. Baron

Sworn to and subscribed before me on this
30th day of November 2011.


Notary Public



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

**EXHIBIT __ (SJB-1)
OF
STEPHEN J. BARON
COST OF SERVICE/RATE DESIGN**

**ON BEHALF OF THE
KROGER CO.**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|-------------|------------------|--|--------------------------------|---|
| 4/81 | 203(B) | KY | Louisville Gas & Electric Co. | Louisville Gas & Electric Co. | Cost-of-service. |
| 4/81 | ER-81-42 | MO | Kansas City Power & Light Co. | Kansas City Power & Light Co. | Forecasting. |
| 6/81 | U-1933 | AZ | Arizona Corporation Commission | Tucson Electric Co. | Forecasting planning. |
| 2/84 | 8924 | KY | Airco Carbide | Louisville Gas & Electric Co. | Revenue requirements, cost-of-service, forecasting, weather normalization. |
| 3/84 | 84-038-U | AR | Arkansas Electric Energy Consumers | Arkansas Power & Light Co. | Excess capacity, cost-of-service, rate design. |
| 5/84 | 830470-EI | FL | Florida Industrial Power Users' Group | Florida Power Corp. | Allocation of fixed costs, load and capacity balance, and reserve margin. Diversification of utility. |
| 10/84 | 84-199-U | AR | Arkansas Electric Energy Consumers | Arkansas Power and Light Co. | Cost allocation and rate design. |
| 11/84 | R-842651 | PA | Lehigh Valley Power Committee | Pennsylvania Power & Light Co. | Interruptible rates, excess capacity, and phase-in. |
| 1/85 | 85-65 | ME | Airco Industrial Gases | Central Maine Power Co. | Interruptible rate design. |
| 2/85 | I-840381 | PA | Philadelphia Area Industrial Energy Users' Group | Philadelphia Electric Co. | Load and energy forecast. |
| 3/85 | 9243 | KY | Alcan Aluminum Corp., et al. | Louisville Gas & Electric Co. | Economics of completing fossil generating unit. |
| 3/85 | 3498-U | GA | Attorney General | Georgia Power Co. | Load and energy forecasting, generation planning economics. |
| 3/85 | R-842632 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Generation planning economics, prudence of a pumped storage hydro unit. |
| 5/85 | 84-249 | AR | Arkansas Electric Energy Consumers | Arkansas Power & Light Co. | Cost-of-service, rate design return multipliers. |
| 5/85 | | City of | Chamber of | Santa Clara | Cost-of-service, rate design. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|---------------|------------------|---|----------------------------------|---|
| | | Santa Clara | Commerce | Municipal | |
| 6/85 | 84-768-E-42T | WV | West Virginia Industrial Intervenor | Monongahela Power Co. | Generation planning economics, prudence of a pumped storage hydro unit. |
| 6/85 | E-7 Sub 391 | NC | Carolina Industrials (CIGFUR III) | Duke Power Co. | Cost-of-service, rate design, interruptible rate design. |
| 7/85 | 29046 | NY | Industrial Energy Users Association | Orange and Rockland Utilities | Cost-of-service, rate design. |
| 10/85 | 85-043-U | AR | Arkansas Gas Consumers | Arkla, Inc. | Regulatory policy, gas cost-of-service, rate design. |
| 10/85 | 85-63 | ME | Airco Industrial Gases | Central Maine Power Co. | Feasibility of interruptible rates, avoided cost. |
| 2/85 | ER-8507698 | NJ | Air Products and Chemicals | Jersey Central Power & Light Co. | Rate design. |
| 3/85 | R-850220 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Optimal reserve, prudence, off-system sales guarantee plan. |
| 2/86 | R-850220 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Optimal reserve margins, prudence, off-system sales guarantee plan. |
| 3/86 | 85-299U | AR | Arkansas Electric Energy Consumers | Arkansas Power & Light Co. | Cost-of-service, rate design, revenue distribution. |
| 3/86 | 85-726-EL-AIR | OH | Industrial Electric Consumers Group | Ohio Power Co. | Cost-of-service, rate design, interruptible rates. |
| 5/86 | 86-081-E-GI | WV | West Virginia Energy Users Group | Monongahela Power Co. | Generation planning economics, prudence of a pumped storage hydro unit. |
| 8/86 | E-7 Sub 408 | NC | Carolina Industrial Energy Consumers | Duke Power Co. | Cost-of-service, rate design, interruptible rates. |
| 10/86 | U-17378 | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Excess capacity, economic analysis of purchased power. |
| 12/86 | 38063 | IN | Industrial Energy | Indiana & Michigan | Interruptible rates. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdic. | Party | Utility | Subject |
|-------|------------------------------|---|---|-------------------------------------|--|
| | | | Consumers | Power Co. | |
| 3/87 | EL-86-53-001 EL-86-57-001 | Federal Energy Regulatory Commission (FERC) | Louisiana Public Service Commission Staff | Gulf States Utilities, Southern Co. | Cost/benefit analysis of unit power sales contract. |
| 4/87 | U-17282 | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Load forecasting and imprudence damages, River Bend Nuclear unit. |
| 5/87 | 87-023-E-C | WV | Airco Industrial Gases | Monongahela Power Co. | Interruptible rates. |
| 5/87 | 87-072-E-G1 | WV | West Virginia Energy Users' Group | Monongahela Power Co. | Analyze Mon Power's fuel filing and examine the reasonableness of MP's claims. |
| 5/87 | 86-524-E-SC | WV | West Virginia Energy Users' Group | Monongahela Power Co. | Economic dispatching of pumped storage hydro unit. |
| 5/87 | 9781 | KY | Kentucky Industrial Energy Consumers | Louisville Gas & Electric Co. | Analysis of impact of 1986 Tax Reform Act. |
| 6/87 | 3673-U | GA | Georgia Public Service Commission | Georgia Power Co. | Economic prudence, evaluation of Vogtle nuclear unit - load forecasting, planning. |
| 6/87 | U-17282 | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Phase-in plan for River Bend Nuclear unit. |
| 7/87 | 85-10-22 | CT | Connecticut Industrial Energy Consumers | Connecticut Light & Power Co. | Methodology for refunding rate moderation fund. |
| 8/87 | 3673-U | GA | Georgia Public Service Commission | Georgia Power Co. | Test year sales and revenue forecast. |
| 9/87 | R-850220 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Excess capacity, reliability of generating system. |
| 10/87 | R-870651 | PA | Duquesne Industrial Intervenor | Duquesne Light Co. | Interruptible rate, cost-of-service, revenue allocation, rate design. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|---|------------------------------|--|--|--|
| 10/87 | I-860025 | PA | Pennsylvania Industrial Intervenor | | Proposed rules for cogeneration, avoided cost, rate recovery. |
| 10/87 | E-015/ GR-87-223 | MN | Taconite Intervenor | Minnesota Power & Light Co. | Excess capacity, power and cost-of-service, rate design. |
| 10/87 | 8702-EI | FL | Occidental Chemical Corp. | Florida Power Corp. | Revenue forecasting, weather normalization. |
| 12/87 | 87-07-01 | CT | Connecticut Industrial Energy Consumers | Connecticut Light Power Co. | Excess capacity, nuclear plant phase-in. |
| 3/88 | 10064 | KY | Kentucky Industrial Energy Consumers | Louisville Gas & Electric Co. | Revenue forecast, weather normalization rate treatment of cancelled plant. |
| 3/88 | 87-183-TF | AR | Arkansas Electric Consumers | Arkansas Power & Light Co. | Standby/backup electric rates. |
| 5/88 | 870171C001 | PA | GPU Industrial Intervenor | Metropolitan Edison Co. | Cogeneration deferral mechanism, modification of energy cost recovery (ECR). |
| 6/88 | 870172C005 | PA | GPU Industrial Intervenor | Pennsylvania Electric Co. | Cogeneration deferral mechanism, modification of energy cost recovery (ECR). |
| 7/88 | 88-171-EL-AIR 88-170-EL-AIR Interim Rate Case | OH | Industrial Energy Consumers | Cleveland Electric/ Toledo Edison | Financial analysis/need for interim rate relief. |
| 7/88 | Appeal of PSC | 19th Judicial Docket U-17282 | Louisiana Public Service Commission Circuit Court of Louisiana | Gulf States Utilities | Load forecasting, imprudence damages. |
| 11/88 | R-880989 | PA | United States Steel | Carnegie Gas | Gas cost-of-service, rate design. |
| 11/88 | 88-171-EL-AIR 88-170-EL-AIR | OH | Industrial Energy Consumers | Cleveland Electric/ Toledo Edison. General Rate Case. | Weather normalization of peak loads, excess capacity, regulatory policy. |
| 3/89 | 870216/283 284/286 | PA | Armco Advanced Materials Corp., | West Penn Power Co. | Calculated avoided capacity, recovery of capacity payments. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|------------------|------------------|--|----------------------------------|---|
| | | | Allegheny Ludlum Corp. | | |
| 8/89 | 8555 | TX | Occidental Chemical Corp. | Houston Lighting & Power Co. | Cost-of-service, rate design. |
| 8/89 | 3840-U | GA | Georgia Public Service Commission | Georgia Power Co. | Revenue forecasting, weather normalization. |
| 9/89 | 2087 | NM | Attorney General of New Mexico | Public Service Co. of New Mexico | Prudence - Palo Verde Nuclear Units 1, 2 and 3, load forecasting. |
| 10/89 | 2262 | NM | New Mexico Industrial Energy Consumers | Public Service Co. of New Mexico | Fuel adjustment clause, off-system sales, cost-of-service, rate design, marginal cost. |
| 11/89 | 38728 | IN | Industrial Consumers for Fair Utility Rates | Indiana Michigan Power Co. | Excess capacity, capacity equalization, jurisdictional cost allocation, rate design, interruptible rates. |
| 1/90 | U-17282 | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Jurisdictional cost allocation, O&M expense analysis. |
| 5/90 | 890366 | PA | GPU Industrial Intervenor | Metropolitan Edison Co. | Non-utility generator cost recovery. |
| 6/90 | R-901609 | PA | Armco Advanced Materials Corp., Allegheny Ludlum Corp. | West Penn Power Co. | Allocation of QF demand charges in the fuel cost, cost-of-service, rate design. |
| 9/90 | 8278 | MD | Maryland Industrial Group | Baltimore Gas & Electric Co. | Cost-of-service, rate design, revenue allocation. |
| 12/90 | U-9346 Rebuttal | MI | Association of Businesses Advocating Tariff Equity | Consumers Power Co. | Demand-side management, environmental externalities. |
| 12/90 | U-17282 Phase IV | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Revenue requirements, jurisdictional allocation. |
| 12/90 | 90-205 | ME | Airco Industrial Gases | Central Maine Power Co. | Investigation into interruptible service and rates. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisd. | Party | Utility | Subject |
|---|------------------------|----------------|---|--|--|
| 1/91 | 90-12-03 Interim | CT | Connecticut Industrial Energy Consumers | Connecticut Light & Power Co. | Interim rate relief, financial analysis, class revenue allocation. |
| 5/91 | 90-12-03 Phase II | CT | Connecticut Industrial Energy Consumers | Connecticut Light & Power Co. | Revenue requirements, cost-of- service, rate design, demand-side management. |
| 8/91 | E-7, SUB SUB 487 | NC | North Carolina Industrial Energy Consumers | Duke Power Co. | Revenue requirements, cost allocation, rate design, demand- side management. |
| 8/91 | 8341 Phase I | MD | Westvaco Corp. | Potomac Edison Co. | Cost allocation, rate design, 1990 Clean Air Act Amendments. |
| 8/91 | 91-372 EL-UNC | OH | Armco Steel Co., L.P. | Cincinnati Gas & Electric Co. | Economic analysis of cogeneration, avoid cost rate. |
| 9/91 | P-910511 P-910512 | PA | Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group | West Penn Power Co. | Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures. |
| 9/91 | 91-231 -E-NC | WV | West Virginia Energy Users' Group | Monongahela Power Co. | Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures. |
| 10/91 | 8341 - Phase II | MD | Westvaco Corp. | Potomac Edison Co. | Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures. |
| 10/91 | U-17282 | LA | Louisiana Public Service Commission Staff | Gulf States Utilities | Results of comprehensive management audit. |
| Note: No testimony was prefiled on this. | | | | | |
| 11/91 | U-17949 Subdocket A | LA | Louisiana Public Service Commission Staff | South Central Bell Telephone Co. and proposed merger with Southern Bell Telephone Co. | Analysis of South Central Bell's restructuring and |
| 12/91 | 91-410- EL-AIR | OH | Armco Steel Co., Air Products & Chemicals, Inc. | Cincinnati Gas & Electric Co. | Rate design, interruptible rates. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdic. | Party | Utility | Subject |
|-------------|--|--------------------------------------|--|--|---|
| 12/91 | P-880286 | PA | Armco Advanced Materials Corp., Allegheny Ludlum Corp. | West Penn Power Co. | Evaluation of appropriate avoided capacity costs - QF projects. |
| 1/92 | C-913424 | PA | Duquesne Interruptible Complainants | Duquesne Light Co. | Industrial interruptible rate. |
| 6/92 | 92-02-19 | CT | Connecticut Industrial Energy Consumers | Yankee Gas Co. | Rate design. |
| 8/92 | 2437 | NM | New Mexico Industrial Intervenors | Public Service Co. of New Mexico | Cost-of-service. |
| 8/92 | R-00922314 | PA | GPU Industrial Intervenors | Metropolitan Edison Co. | Cost-of-service, rate design, energy cost rate. |
| 9/92 | 39314 | ID | Industrial Consumers for Fair Utility Rates | Indiana Michigan Power Co. | Cost-of-service, rate design, energy cost rate, rate treatment. |
| 10/92 | M-00920312 C-007 | PA | The GPU Industrial Intervenors | Pennsylvania Electric Co. | Cost-of-service, rate design, energy cost rate, rate treatment. |
| 12/92 | U-17949 | LA | Louisiana Public Service Commission Staff | South Central Bell Co. | Management audit. |
| 12/92 | R-00922378 | PA | Armco Advanced Materials Co. The WPP Industrial Intervenors | West Penn Power Co. | Cost-of-service, rate design, energy cost rate, SO ₂ allowance rate treatment. |
| 1/93 | 8487 | MD | The Maryland Industrial Group | Baltimore Gas & Electric Co. | Electric cost-of-service and rate design, gas rate design (flexible rates). |
| 2/93 | E002/GR-92-1185 | MN | North Star Steel Co. Praxair, Inc. | Northern States Power Co. | Interruptible rates. |
| 4/93 | EC92 21000 ER92-806-000 (Rebuttal) | Federal Energy Regulatory Commission | Louisiana Public Service Commission Staff | Gulf States Utilities/Entergy agreement. | Merger of GSU into Entergy System; impact on system |
| 7/93 | 93-0114-E-C | WV | Airco Gases | Monongahela Power Co. | Interruptible rates. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|---------------------------------------|---|--|---|--|
| 8/93 | 930759-EG | FL | Florida Industrial Power Users' Group | Generic - Electric Utilities | Cost recovery and allocation of DSM costs. |
| 9/93 | M-009 30406 | PA | Lehigh Valley Power Committee | Pennsylvania Power & Light Co. | Ratemaking treatment of off-system sales revenues. |
| 11/93 | 346 | KY | Kentucky Industrial Utility Customers | Generic - Gas Utilities | Allocation of gas pipeline transition costs - FERC Order 636. |
| 12/93 | U-17735 | LA | Louisiana Public Service Commission Staff | Cajun Electric Power Cooperative | Nuclear plant prudence, forecasting, excess capacity. |
| 4/94 | E-015/ GR-94-001 | MN | Large Power Intervenors | Minnesota Power Co. | Cost allocation, rate design, rate phase-in plan. |
| 5/94 | U-20178 | LA | Louisiana Public Service Commission | Louisiana Power & Light Co. | Analysis of least cost integrated resource plan and demand-side management program. |
| 7/94 | R-00942986 | PA | Armco, Inc.; West Penn Power Industrial Intervenors | West Penn Power Co. | Cost-of-service, allocation of rate increase, rate design, emission allowance sales, and operations and maintenance expense. |
| 7/94 | 94-0035- E-42T | WV | West Virginia Energy Users Group | Monongahela Power Co. | Cost-of-service, allocation of rate increase, and rate design. |
| 8/94 | EC94 13-000 | Federal Energy Regulatory Commission | Louisiana Public Service Commission | Gulf States Utilities/Entergy | Analysis of extended reserve shutdown units and violation of system agreement by Entergy. |
| 9/94 | R-00943 081 R-00943 081C0001 | PA | Lehigh Valley Power Committee | Pennsylvania Public Utility Commission | Analysis of interruptible rate terms and conditions, availability. |
| 9/94 | U-17735 | LA | Louisiana Public Service Commission | Cajun Electric Power Cooperative | Evaluation of appropriate avoided cost rate. |
| 9/94 | U-19904 | LA | Louisiana Public Service Commission | Gulf States Utilities | Revenue requirements. |
| 10/94 | 5258-U | GA | Georgia Public Service Commission | Southern Bell Telephone & Telegraph Co. | Proposals to address competition in telecommunication markets. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisd. | Party | Utility | Subject |
|-------------|---------------------------------|----------------|---|--|---|
| 11/94 | EC94-7-000 FERC ER94-898-000 | | Louisiana Public Service Commission | El Paso Electric and Central and Southwest | Merger economics, transmission equalization hold harmless proposals. |
| 2/95 | 941-430EG CO | | CF&I Steel, L.P. | Public Service Company of Colorado | Interruptible rates, cost-of-service. |
| 4/95 | R-00943271 PA | | PP&L Industrial Customer Alliance | Pennsylvania Power & Light Co. | Cost-of-service, allocation of rate increase, rate design, interruptible rates. |
| 6/95 | C-00913424 PA C-00946104 | | Duquesne Interruptible Complainants | Duquesne Light Co. | Interruptible rates. |
| 8/95 | ER95-112 FERC -000 | | Louisiana Public Service Commission | Entergy Services, Inc. | Open Access Transmission Tariffs - Wholesale. |
| 10/95 | U-21485 LA | | Louisiana Public Service Commission | Gulf States Utilities Company | Nuclear decommissioning, revenue requirements, capital structure. |
| 10/95 | ER95-1042 FERC -000 | | Louisiana Public Service Commission | System Energy Resources, Inc. | Nuclear decommissioning, revenue requirements. |
| 10/95 | U-21485 LA | | Louisiana Public Service Commission | Gulf States Utilities Co. | Nuclear decommissioning and cost of debt capital, capital structure. |
| 11/95 | I-940032 PA | | Industrial Energy Consumers of Pennsylvania | State-wide - all utilities | Retail competition issues. |
| 7/96 | U-21496 LA | | Louisiana Public Service Commission | Central Louisiana Electric Co. | Revenue requirement analysis. |
| 7/96 | 8725 MD | | Maryland Industrial Group | Baltimore Gas & Elec. Co., Potomac Elec. Power Co., Constellation Energy Co. | Ratemaking issues associated with a Merger. |
| 8/96 | U-17735 LA | | Louisiana Public Service Commission | Cajun Electric Power Cooperative | Revenue requirements. |
| 9/96 | U-22092 LA | | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Decommissioning, weather normalization, capital structure. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|--|---------------------------|--|---|--|--|
| 2/97 | R-973877 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Co. | Competitive restructuring policy issues, stranded cost, transition charges. |
| 6/97 | Civil Action No. 94-11474 | US Bankruptcy Court Middle District of Louisiana | Louisiana Public Service Commission | Cajun Electric Power Cooperative | Confirmation of reorganization plan; analysis of rate paths produced by competing plans. |
| 6/97 | R-973953 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 6/97 | 8738 | MD | Maryland Industrial Group | Generic | Retail competition issues |
| 7/97 | R-973954 | PA | PP&L Industrial Customer Alliance | Pennsylvania Power & Light Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 10/97 | 97-204 | KY | Alcan Aluminum Corp. Southwire Co. | Big River Electric Corp. | Analysis of cost of service issues - Big Rivers Restructuring Plan |
| 10/97 | R-974008 | PA | Metropolitan Edison Industrial Users | Metropolitan Edison Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 10/97 | R-974009 | PA | Pennsylvania Electric Industrial Customer | Pennsylvania Electric Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 11/97 | U-22491 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Decommissioning, weather normalization, capital structure. |
| 11/97 | P-971265 | PA | Philadelphia Area Industrial Energy Users Group | Enron Energy Services Power, Inc./ PECO Energy | Analysis of Retail Restructuring Proposal. |
| 12/97 | R-973981 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 12/97 | R-974104 | PA | Duquesne Industrial Intervenor | Duquesne Light Co. | Retail competition issues, rate unbundling, stranded cost analysis. |
| 3/98 (Allocated Stranded Cost Issues) | U-22092 | LA | Louisiana Public Service Commission | Gulf States Utilities Co. | Retail competition, stranded cost quantification. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdic. | Party | Utility | Subject |
|--|----------------------------------|-----------------------|---|--|--|
| 3/98 | U-22092 | | Louisiana Public Service Commission | Gulf States Utilities, Inc. | Stranded cost quantification, restructuring issues. |
| 9/98 | U-17735 | | Louisiana Public Service Commission | Cajun Electric Power Cooperative, Inc. | Revenue requirements analysis, weather normalization. |
| 12/98 | 8794 | MD | Maryland Industrial Group and Millennium Inorganic Chemicals Inc. | Baltimore Gas and Electric Co. | Electric utility restructuring, stranded cost recovery, rate unbundling. |
| 12/98 | U-23358 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Nuclear decommissioning, weather normalization, Entergy System Agreement. |
| 5/99 (Cross- 40-000 Answering Testimony) | EC-98- | FERC | Louisiana Public Service Commission | American Electric Power Co. & Central South West Corp. | Merger issues related to market power mitigation proposals. |
| 5/99 (Response Testimony) | 98-426 | KY | Kentucky Industrial Utility Customers, Inc. | Louisville Gas & Electric Co. | Performance based regulation, settlement proposal issues, cross-subsidies between electric gas services. |
| 6/99 | 98-0452 | WV | West Virginia Energy Users Group | Appalachian Power, Monongahela Power, & Potomac Edison Companies | Electric utility restructuring, stranded cost recovery, rate unbundling. |
| 7/99 | 99-03-35 | CT | Connecticut Industrial Energy Consumers | United Illuminating Company | Electric utility restructuring, stranded cost recovery, rate unbundling. |
| 7/99 | Adversary Proceeding No. 98-1065 | U.S. Bankruptcy Court | Louisiana Public Service Commission | Cajun Electric Power Cooperative | Motion to dissolve preliminary injunction. |
| 7/99 | 99-03-06 | CT | Connecticut Industrial Energy Consumers | Connecticut Light & Power Co. | Electric utility restructuring, stranded cost recovery, rate unbundling. |
| 10/99 | U-24182 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Nuclear decommissioning, weather normalization, Entergy System Agreement. |
| 12/99 | U-17735 | LA | Louisiana Public Service Commission | Cajun Electric Power Cooperative, Inc. | Ananlysi of Proposed Contract Rates, Market Rates. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisd. | Party | Utility | Subject |
|-------------|---|----------------|---|---|---|
| 03/00 | U-17735 | LA | Louisiana Public Service Commission | Cajun Electric Power Cooperative, Inc. | Evaluation of Cooperative Power Contract Elections |
| 03/00 | 99-1658-EL-ETP | OH | AK Steel Corporation | Cincinnati Gas & Electric Co. | Electric utility restructuring, stranded cost recovery, rate Unbundling. |
| 08/00 | 98-0452 E-GI | WVA | West Virginia Energy Users Group | Appalachian Power Co. American Electric Co. | Electric utility restructuring rate unbundling. |
| 08/00 | 00-1050 E-T 00-1051-E-T | WVA | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Electric utility restructuring rate unbundling. |
| 10/00 | SOAH 473-00-1020 PUC 2234 | TX | The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges And Universities | TXU, Inc. | Electric utility restructuring rate unbundling. |
| 12/00 | U-24993 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Nuclear decommissioning, revenue requirements. |
| 12/00 | EL00-66-000 & ER00-2854 EL95-33-002 | LA | Louisiana Public Service Commission | Entergy Services Inc. | Inter-Company System Agreement: Modifications for retail competition, interruptible load. |
| 04/01 | U-21453, U-20925, U-22092 (Subdocket B) Addressing Contested Issues | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Jurisdictional Business Separation - Texas Restructuring Plan |
| 10/01 | 14000-U | GA | Georgia Public Service Commission Adversary Staff | Georgia Power Co. | Test year revenue forecast. |
| 11/01 | U-25687 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Nuclear decommissioning requirements transmission revenues. |
| 11/01 | U-25965 | LA | Louisiana Public Service Commission | Generic | Independent Transmission Company ("Transco"). RTO rate design. |
| 03/02 | 001148-EI | FL | South Florida Hospital and Healthcare Assoc. | Florida Power & Light Company | Retail cost of service, rate design, resource planning and demand side management. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|--|------------------|---|---|--|
| 06/02 | U-25965 | LA | Louisiana Public Service Commission | Entergy Gulf States Entergy Louisiana | RTO Issues |
| 07/02 | U-21453 | LA | Louisiana Public Service Commission | SWEPCO, AEP | Jurisdictional Business Sep. - Texas Restructuring Plan. |
| 08/02 | U-25888 | LA | Louisiana Public Service Commission | Entergy Louisiana, Inc. Entergy Gulf States, Inc. | Modifications to the Inter-Company System Agreement, Production Cost Equalization. |
| 08/02 | EL01-88-000 | FERC | Louisiana Public Service Commission | Entergy Services Inc. and the Entergy Operating Companies | Modifications to the Inter-Company System Agreement, Production Cost Equalization. |
| 11/02 | 02S-315EG | CO | CF&I Steel & Climax Molybdenum Co. | Public Service Co. of Colorado | Fuel Adjustment Clause |
| 01/03 | U-17735 | LA | Louisiana Public Service Commission | Louisiana Coops | Contract Issues |
| 02/03 | 02S-594E | CO | Cripple Creek and Victor Gold Mining Co. | Aquila, Inc. | Revenue requirements, purchased power. |
| 04/03 | U-26527 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Weather normalization, power purchase expenses, System Agreement expenses. |
| 11/03 | ER03-753-000 | FERC | Louisiana Public Service Commission Staff | Entergy Services, Inc. and the Entergy Operating Companies | Proposed modifications to System Agreement Tariff MSS-4. |
| 11/03 | ER03-583-000 ER03-583-001 ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001 ER03-682-002 | FERC | Louisiana Public Service Commission | Entergy Services, Inc., the Entergy Operating Companies, EWO Market-Ing, L.P. and Entergy Power, Inc. | Evaluation of Wholesale Purchased Power Contracts. |
| 12/03 | U-27136 | LA | Louisiana Public Service Commission | Entergy Louisiana, Inc. | Evaluation of Wholesale Purchased Power Contracts. |
| 01/04 | E-01345-03-0437 | AZ | Kroger Company | Arizona Public Service Co. | Revenue allocation rate design. |
| 02/04 | 00032071 | PA | Duquesne Industrial Intervenor | Duquesne Light Company | Provider of last resort issues. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisd. | Party | Utility | Subject |
|-------------|---|----------------|--|---|---|
| 03/04 | 03A-436E | CO | CF&I Steel, LP and Climax Molybdenum | Public Service Company of Colorado | Purchased Power Adjustment Clause. |
| 04/04 | 2003-00433 2003-00434 | KY | Kentucky Industrial Utility Customers, Inc. | Louisville Gas & Electric Co. Kentucky Utilities Co. | Cost of Service Rate Design |
| 0-6/04 | 03S-539E | CO | Cripple Creek, Victor Gold Mining Co., Goodrich Corp., Holcim (U.S.), Inc., and The Trane Co. | Aquila, Inc. | Cost of Service, Rate Design Interruptible Rates |
| 06/04 | R-00049255 | PA | PP&L Industrial Customer Alliance PPLICA | PPL Electric Utilities Corp. | Cost of service, rate design, tariff issues and transmission service charge. |
| 10/04 | 04S-164E | CO | CF&I Steel Company, Climax Mines | Public Service Company of Colorado | Cost of service, rate design, Interruptible Rates. |
| 03/05 | Case No. KY 2004-00426 Case No. 2004-00421 | | Kentucky Industrial Utility Customers, Inc. | Kentucky Utilities Louisville Gas & Electric Co. | Environmental cost recovery. |
| 06/05 | 050045-EI | FL | South Florida Hospital and Healthcare Assoc. | Florida Power & Light Company | Retail cost of service, rate design |
| 07/05 | U-28155 | LA | Louisiana Public Service Commission Staff | Entergy Louisiana, Inc. Entergy Gulf States, Inc. | Independent Coordinator of Transmission – Cost/Benefit |
| 09/05 | Case Nos. WVA 05-0402-E-CN 05-0750-E-PC | | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Environmental cost recovery, Securitization, Financing Order |
| 01/06 | 2005-00341 | KY | Kentucky Industrial Utility Customers, Inc. | Kentucky Power Company | Cost of service, rate design, transmission expenses. Congestion Cost Recovery Mechanism |
| 03/06 | U-22092 | LA | Louisiana Public Service Commission Staff | Entergy Gulf States, Inc. | Separation of EGSI into Texas and Louisiana Companies. |
| 04/06 | U-25116 | LA | Louisiana Public Service Commission Staff | Entergy Louisiana, Inc. | Transmission Prudence Investigation |
| 06/06 | R-00061346 PA C0001-0005 | | Duquesne Industrial Intervenors & IECPA | Duquesne Light Co. | Cost of Service, Rate Design, Transmission Service Charge, Tariff Issues |
| 06/06 | R-00061366 R-00061367 P-00062213 | | Met-Ed Industrial Energy Users Group and Penelec Industrial Customer | Metropolitan Edison Co. Pennsylvania Electric Co. | Generation Rate Cap, Transmission Service Charge, Cost of Service, Rate Design, Tariff Issues |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|---|------------------|--|--|---|
| | P-00062214 | | Alliance | | |
| 07/06 | U-22092 Sub-J | LA | Louisiana Public Service Commission Staff | Entergy Gulf States, Inc. | Separation of EGSI into Texas and Louisiana Companies. |
| 07/06 | Case No. KY 2006-00130 Case No. 2006-00129 | | Kentucky Industrial Utility Customers, Inc. | Kentucky Utilities Louisville Gas & Electric Co. | Environmental cost recovery. |
| 08/06 | Case No. VA PUE-2006-00065 | | Old Dominion Committee For Fair Utility Rates | Appalachian Power Co. | Cost Allocation, Allocation of Rev Incr, Off-System Sales margin rate treatment |
| 09/06 | E-01345A- 05-0816 | AZ | Kroger Company | Arizona Public Service Co. | Revenue allocation, cost of service, rate design. |
| 11/06 | Doc. No. CT 97-01-15RE02 | | Connecticut Industrial Energy Consumers | Connecticut Light & Power United Illuminating | Rate unbundling issues. |
| 01/07 | Case No. WV 06-0960-E-42T | | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Retail Cost of Service Revenue apportionment |
| 03/07 | U-29764 | LA | Louisiana Public Service Commission Staff | Entergy Gulf States, Inc. Entergy Louisiana, LLC | Implementation of FERC Decision Jurisdictional & Rate Class Allocation |
| 05/07 | Case No. OH 07-63-EL-UNC | | Ohio Energy Group | Ohio Power, Columbus Southern Power | Environmental Surcharge Rate Design |
| 05/07 | R-00049255 PA Remand | | PP&L Industrial Customer Alliance PPLICA | PPL Electric Utilities Corp. | Cost of service, rate design, tariff issues and transmission service charge. |
| 06/07 | R-00072155 PA | | PP&L Industrial Customer Alliance PPLICA | PPL Electric Utilities Corp. | Cost of service, rate design, tariff issues. |
| 07/07 | Doc. No. CO 07F-037E | | Gateway Canyons LLC | Grand Valley Power Coop. | Distribution Line Cost Allocation |
| 09/07 | Doc. No. WI 05-UR-103 | | Wisconsin Industrial Energy Group, Inc. | Wisconsin Electric Power Co. | Cost of Service, rate design, tariff Issues, Interruptible rates. |
| 11/07 | ER07-682-000 | FERC | Louisiana Public Service Commission Staff | Entergy Services, Inc. and the Entergy Operating Companies | Proposed modifications to System Agreement Schedule MSS-3. Cost functionalization issues. |
| 1/08 | Doc. No. WY 20000-277-ER-07 | | Cimarex Energy Company | Rocky Mountain Power (PacifiCorp) | Vintage Pricing, Marginal Cost Pricing Projected Test Year |
| 1/08 | Case No. OH 07-551 | | Ohio Energy Group | Ohio Edison, Toledo Edison Cleveland Electric Illuminating | Class Cost of Service, Rate Restructuring, Apportionment of Revenue Increase to |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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As of November 2011**

| Date | Case | Jurisdic. | Party | Utility | Subject |
|-------------|--------------------------------------|------------------|---|--|--|
| 2/08 | ER07-956 | FERC | Louisiana Public Service Commission Staff | Entergy Services, Inc. and the Entergy Operating Companies | Rate Schedules Entergy's Compliance Filing System Agreement Bandwidth Calculations. |
| 2/08 | Doc No. P-00072342 | PA | West Penn Power Industrial Intervenor | West Penn Power Co. | Default Service Plan issues. |
| 3/08 | Doc No. E-01933A-05-0650 | AZ | Kroger Company | Tucson Electric Power Co. | Cost of Service, Rate Design |
| 05/08 | 08-0278 E-GI | WV | West Virginia Energy Users Group | Appalachian Power Co. American Electric Power Co. | Expanded Net Energy Cost "ENEC" Analysis. |
| 6/08 | Case No. 08-124-EL-ATA | OH | Ohio Energy Group | Ohio Edison, Toledo Edison Cleveland Electric Illuminating | Recovery of Deferred Fuel Cost |
| 7/08 | Docket No. 07-035-93 | UT | Kroger Company | Rocky Mountain Power Co. | Cost of Service, Rate Design |
| 08/08 | Doc. No. 6680-UR-116 | WI | Wisconsin Industrial Energy Group, Inc. | Wisconsin Power and Light Co. | Cost of Service, rate design, tariff Issues, Interruptible rates. |
| 09/08 | Doc. No. 6690-UR-119 | WI | Wisconsin Industrial Energy Group, Inc. | Wisconsin Public Service Co. | Cost of Service, rate design, tariff Issues, Interruptible rates. |
| 09/08 | Case No. 08-936-EL-SSO | OH | Ohio Energy Group | Ohio Edison, Toledo Edison Cleveland Electric Illuminating | Provider of Last Resort Competitive Solicitation |
| 09/08 | Case No. 08-935-EL-SSO | OH | Ohio Energy Group | Ohio Edison, Toledo Edison Cleveland Electric Illuminating | Provider of Last Resort Rate Plan |
| 09/08 | Case No. 08-917-EL-SSO 08-918-EL-SSO | OH | Ohio Energy Group | Ohio Power Company Columbus Southern Power Co. | Provider of Last Resort Rate Plan |
| 10/08 | 2008-00251 2008-00252 | KY | Kentucky Industrial Utility Customers, Inc. | Louisville Gas & Electric Co. Kentucky Utilities Co. | Cost of Service, Rate Design |
| 11/08 | 08-1511 E-GI | WV | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Expanded Net Energy Cost "ENEC" Analysis. |
| 11/08 | M-2008-2036188, M-2008-2036197 | PA | Met-Ed Industrial Energy Users Group and Penelec Industrial Customer Alliance | Metropolitan Edison Co. Pennsylvania Electric Co. | Transmission Service Charge |
| 01/09 | ER08-1056 | FERC | Louisiana Public Service Commission | Entergy Services, Inc. and the Entergy Operating Companies | Entergy's Compliance Filing System Agreement Bandwidth Calculations. |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Stephen J. Baron
As of November 2011**

| Date | Case | Jurisdic. | Party | Utility | Subject |
|-------------|------------------------|------------------|---|--|---|
| 01/09 | E-01345A-08-0172 | AZ | Kroger Company | Arizona Public Service Co. | Cost of Service, Rate Design |
| 02/09 | 2008-00409 | KY | Kentucky Industrial Utility Customers, Inc. | East Kentucky Power Cooperative, Inc. | Cost of Service, Rate Design |
| 5/09 | PUE-2009-00018 | VA | VA Committee For Fair Utility Rates | Dominion Virginia Power Company | Transmission Cost Recovery Rider |
| 5/09 | 09-0177-E-GI | WV | West Virginia Energy Users Group | Appalachian Power Company | Expanded Net Energy Cost "ENEC" Analysis |
| 6/09 | PUE-2009-00016 | VA | VA Committee For Fair Utility Rates | Dominion Virginia Power Company | Fuel Cost Recovery Rider |
| 6/09 | PUE-2009-00038 | VA | Old Dominion Committee For Fair Utility Rates | Appalachian Power Company | Fuel Cost Recovery Rider |
| 7/09 | 080677-EI | FL | South Florida Hospital and Healthcare Assoc. | Florida Power & Light Company | Retail cost of service, rate design |
| 8/09 | U-20925 (RRF 2004) | LA | Louisiana Public Service Commission Staff | Entergy Louisiana LLC | Interruptible Rate Refund Settlement |
| 9/09 | 09AL-299E | CO | CF&I Steel Company Climax Molybdenum | Public Service Company of Colorado | Energy Cost Rate issues |
| 9/09 | Doc. No. 05-UR-104 | WI | Wisconsin Industrial Energy Group, Inc. | Wisconsin Electric Power Co. | Cost of Service, rate design, tariff Issues, Interruptible rates. |
| 9/09 | Doc. No. 6680-UR-117 | WI | Wisconsin Industrial Energy Group, Inc. | Wisconsin Power and Light Co. | Cost of Service, rate design, tariff Issues, Interruptible rates. |
| 10/09 | Docket No. 09-035-23 | UT | Kroger Company | Rocky Mountain Power Co. | Cost of Service, Allocation of Rev Increase |
| 10/09 | 09AL-299E | CO | CF&I Steel Company Climax Molybdenum | Public Service Company of Colorado | Cost of Service, Rate Design |
| 11/09 | PUE-2009-00019 | VA | VA Committee For Fair Utility Rates | Dominion Virginia Power Company | Cost of Service, Rate Design |
| 11/09 | 09-1485 E-P | WV | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Expanded Net Energy Cost "ENEC" Analysis. |
| 12/09 | Case No. 09-906-EL-SSO | OH | Ohio Energy Group | Ohio Edison, Toledo Edison Cleveland Electric Illuminating | Provider of Last Resort Rate Plan |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of November 2011**

| Date | Case | Jurisd. | Party | Utility | Subject |
|-------------|----------------------------|----------------|---|--|--|
| 12/09 | ER09-1224 | FERC | Louisiana Public Service Commission | Entergy Services, Inc. and the Entergy Operating Companies | Entergy's Compliance Filing System Agreement Bandwidth Calculations. |
| 12/09 | Case No. VA PUE-2009-00030 | | Old Dominion Committee For Fair Utility Rates | Appalachian Power Co. | Cost Allocation, Allocation of Rev Increase, Rate Design |
| 2/10 | Docket No. UT 09-035-23 | | Kroger Company | Rocky Mountain Power Co. | Rate Design |
| 3/10 | Case No. WV 09-1352-E-42T | | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Retail Cost of Service Revenue apportionment |
| 3/10 | E015/ GR-09-1151 | MN | Large Power Intervenor | Minnesota Power Co. | Cost of Service, rate design |
| 4/10 | EL09-61 | FERC | Louisiana Public Service Commission | Entergy Services, Inc. and the Entergy Operating Companies | System Agreement Issues Related to off-system sales |
| 4/10 | 2009-00459 | KY | Kentucky Industrial Utility Customers, Inc. | Kentucky Power Company | Cost of service, rate design, transmission expenses. |
| 4/10 | 2009-00548 2009-00549 | KY | Kentucky Industrial Utility Customers, Inc. | Louisville Gas & Electric Co. Kentucky Utilities Co. | Cost of Service, Rate Design |
| 7/10 | R-2010-2161575 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Company | Cost of Service, Rate Design |
| 09/10 | 2010-00167 | KY | Kentucky Industrial Utility Customers, Inc. | East Kentucky Power Cooperative, Inc. | Cost of Service, Rate Design |
| 09/10 | 10M-245E | CO | CF&I Steel Company Climax Molybdenum | Public Service Company of Colorado | Economic Impact of Clean Air Act |
| 11/10 | 10-0699-E-42T | WV | West Virginia Energy Users Group | Appalachian Power Company | Cost of Service, Rate Design, Transmission Rider |
| 11/10 | Doc. No. WI 4220-UR-116 | | Wisconsin Industrial Energy Group, Inc. | Northern States Power Co. Wisconsin | Cost of Service, rate design |
| 12/10 | 10A-554EG | CO | CF&I Steel Company Climax Molybdenum | Public Service Company | Demand Side Management Issues |
| 12/10 | 10-2586-EL-SSO | OH | Ohio Energy Group | Duke Energy Ohio | Provider of Last Resort Rate Plan Electric Security Plan |

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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As of November 2011**

| Date | Case | Jurisdct. | Party | Utility | Subject |
|-------------|--|------------------|--|---|--|
| 3/11 | 20000-384- ER-10 | WY | Wyoming Industrial Energy Consumers | Rocky Mountain Power Wyoming | Electric Cost of Service, Revenue Apportionment, Rate Design |
| 6/11 | Docket No. UT 10-035-124 | UT | Kroger Company | Rocky Mountain Power Co. | Class Cost of Service |
| 6/11 | PUE-2011 -00045 | VA | VA Committee For Fair Utility Rates | Dominion Virginia Power Company | Fuel Cost Recovery Rider |
| 07/11 | U-29764 | LA | Louisiana Public Service Commission Staff | Entergy Gulf States, Inc. Entergy Louisiana, LLC | Entergy System Agreement - Successor Agreement, Revisions, RTO Day 2 Market Issues |
| 07/11 | Case Nos. OH 11-346-EL-SSO 11-348-EL-SSO | OH | Ohio Energy Group | Ohio Power Company Columbus Southern Power Co. | Electric Security Rate Plan, Provider of Last Resort Issues |
| 08/11 | PUE-2011- 00034 | VA | Old Dominion Committee For Fair Utility Rates | Appalachian Power Co. | Cost Allocation, Rate Recovery of RPS Costs |
| 09/11 | 2011-00161 KY 2011-00162 | KY | Kentucky Industrial Utility | Louisville Gas & Electric Co. Kentucky Utilities Company | Environmental Cost Recovery |
| 09/11 | Case Nos. OH 11-346-EL-SSO 11-348-EL-SSO | OH | Ohio Energy Group | Ohio Power Company Columbus Southern Power Co. | Electric Security Rate Plan, Stipulation Support Testimony |
| 10/11 | 11-0452 WV E-P-T | WV | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Energy Efficiency/Demand Reduction Cost Recovery |
| 11/11 | 11-1274 WV E-P | WV | West Virginia Energy Users Group | Mon Power Co. Potomac Edison Co. | Expanded Net Energy Cost "ENEC" Analysis. |

J. KENNEDY AND ASSOCIATES, INC.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

**EXHIBIT __ (SJB-2)
OF
STEPHEN J. BARON
COST OF SERVICE/RATE DESIGN**

**ON BEHALF OF THE
KROGER CO.**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

ARIZONA PUBLIC SERVICE COMPANY
CALCULATION OF SUBSIDIES UNDER PRESENT AND PROPOSED RATES
TEST YEAR ENDING DECEMBER 31, 2010, ADJUSTED

| | ACC JURISDICTION | | | | | DUSK TO DAWN (10) |
|--------------------------------------|------------------------|--------------------|---------------------------|---------------------------------|---------------------------|-------------------------|
| | TOTAL RETAIL (5) | RESIDENTIAL (6) | GENERAL SERVICE (7) | E-221 (Water Pumping) (8) | STREET LIGHTING (9) | |
| Adjusted Rate Revenue per APS | 2,868,857,719 | 1,470,133,377 | 1,342,600,008 | 26,669,231 | 20,998,548 | 8,456,555 |
| Other Revenue | 121,013,337 | 61,674,921 | 56,525,049 | 1,216,323 | 1,167,525 | 429,518 |
| Total Adjusted Revenue | 2,989,871,056 | 1,531,808,298 | 1,399,125,057 | 27,885,554 | 22,166,073 | 8,886,073 |
| Total Operating Expenses | 2,515,515,172 | 1,323,943,907 | 1,142,987,717 | 25,119,326 | 17,323,570 | 6,140,652 |
| Adjusted Operating Income | 474,355,885 | 207,864,392 | 256,137,340 | 2,766,228 | 4,842,504 | 2,745,421 |
| Adjusted Rate Base | 5,720,277,476 | 3,419,731,076 | 2,159,417,218 | 45,658,280 | 67,341,332 | 28,129,571 |
| Rate of Return at Present Rates | 8.29% | 6.08% | 11.86% | 6.06% | 7.19% | 9.76% |
| Relative Rate of Return | 1.00 | 0.73 | 1.43 | 0.73 | 0.87 | 1.18 |
| Subsidy at Present ROR | (0) | (125,176,880) | 127,407,098 | (1,686,263) | (1,226,341) | 682,386 |
| Requested ROR - Original Cost | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% |
| Required Revenue Increase to Req ROR | 54,609,705 | 157,823,986 | (106,791,815) | 2,122,148 | 1,869,228 | (413,842) |
| APS Requested Fair Value Increment | 40,883,000 | 24,440,924 | 15,433,422 | 326,321 | 481,291 | 201,043 |
| Total Increase Requested - Equal ROR | 95,492,705 | 182,264,910 | (91,358,393) | 2,448,469 | 2,350,518 | (212,799) |
| APS Proposed Increases | 95,493,000 | 58,104,000 | 35,413,000 | 966,000 | 761,000 | 249,000 |
| Tax on Proposed Increase | (37,729,284) | (22,956,890) | (13,991,676) | (381,667) | (300,671) | (98,380) |
| Operating Income at Proposed Rates | 532,119,601 | 243,011,501 | 277,558,664 | 3,350,562 | 5,302,833 | 2,896,041 |
| Rate of Return at Proposed Rates | 9.30% | 7.11% | 12.85% | 7.34% | 7.87% | 10.30% |
| Relative Rate of Return | 1.00 | 0.76 | 1.38 | 0.79 | 0.85 | 1.11 |
| Subsidy at Proposed ROR | (0) | (124,161,065) | 126,771,269 | (1,482,468) | (1,589,529) | 461,793 |

ARIZONA PUBLIC SERVICE COMPANY
CALCULATION OF SUBSIDIES UNDER PRESENT AND PROPOSED RATES
TEST YEAR ENDING DECEMBER 31, 2010, ADJUSTED

| | GENERAL SERVICE RATE SCHEDULES | | | | | | | | | | |
|--------------------------------------|--------------------------------|-------------------------------|-------------------------------|---------------------------------|-------------------------------|------------------------------------|--------------------------------|---------------------------|--------------|--------------|--|
| | TOTAL GENERAL SVC (12) | E-20 (Church Rate) (13) | E-32 TOU (0-100kW) (14) | E-32 TOU (101-400kW) (15) | E-32 TOU (401+ kW) (16) | E-30, E-32 (0 - 100 kW) (17) | E-32 (101 - 400 kW) (18) | E-32 (401+ kW) (19) | E-34 (20) | E-35 (21) | |
| Adjusted Rate Revenue per APS | 1,342,600,008 | 3,885,908 | 5,087,112 | 6,385,132 | 22,916,517 | 490,605,200 | 317,315,278 | 303,798,301 | 80,597,093 | 112,009,467 | |
| Other Revenue | 56,525,049 | 165,168 | 179,003 | 267,333 | 1,120,199 | 17,230,008 | 13,386,728 | 13,992,412 | 4,122,181 | 6,062,018 | |
| Total Adjusted Revenue | 1,399,125,057 | 4,051,076 | 5,266,115 | 6,652,465 | 24,036,716 | 507,835,208 | 330,702,006 | 317,790,713 | 84,719,274 | 118,071,485 | |
| Total Operating Expenses | 1,142,987,717 | 3,624,832 | 3,894,824 | 5,243,470 | 20,317,695 | 394,821,973 | 269,399,544 | 266,433,886 | 73,645,452 | 105,606,042 | |
| Adjusted Operating Income | 256,137,340 | 426,244 | 1,371,291 | 1,408,995 | 3,719,021 | 113,013,235 | 61,302,461 | 51,356,827 | 11,073,822 | 12,465,443 | |
| Adjusted Rate Base | 2,159,417,218 | 10,796,550 | 5,439,067 | 7,934,303 | 31,602,764 | 852,780,613 | 521,011,457 | 471,197,520 | 117,735,373 | 140,919,571 | |
| Rate of Return at Present Rates | 11.86% | 3.95% | 25.21% | 17.76% | 11.77% | 13.25% | 11.77% | 10.90% | 9.41% | 8.85% | |
| Relative Rate of Return | 1.43 | 0.48 | 3.04 | 2.14 | 1.42 | 1.60 | 1.42 | 1.31 | 1.13 | 1.07 | |
| Subsidy at Present ROR | 127,407,098 | (775,455) | 1,521,365 | 1,241,620 | 1,815,795 | 69,923,950 | 29,918,647 | 20,305,625 | 2,166,647 | 1,288,903 | |
| Requested ROR - Original Cost | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | 8.87% | |
| Required Revenue Increase to Req ROR | (106,791,815) | 878,527 | (1,469,440) | (1,165,874) | (1,514,093) | (61,782,720) | (24,944,713) | (15,807,249) | (1,042,664) | 56,412 | |
| APS Requested Fair Value Increment | 15,433,422 | 77,163 | 38,873 | 56,707 | 225,866 | 6,094,849 | 3,723,685 | 3,367,663 | 841,458 | 1,007,157 | |
| Total Increase Requested - Equal ROR | (91,358,393) | 955,690 | (1,430,567) | (1,109,167) | (1,288,227) | (55,687,870) | (21,221,028) | (12,439,586) | (201,206) | 1,063,569 | |
| APS Proposed Increases | 35,413,000 | 151,000 | 101,000 | 158,000 | 635,000 | 10,911,000 | 8,791,000 | 8,418,000 | 2,476,000 | 3,772,000 | |
| Tax on Proposed Increase | (13,991,676) | (59,660) | (39,905) | (62,426) | (250,889) | (4,310,936) | (3,473,324) | (3,325,952) | (978,268) | (1,490,317) | |
| Operating Income at Proposed Rates | 277,558,664 | 517,584 | 1,432,386 | 1,504,569 | 4,103,133 | 119,613,298 | 66,620,137 | 56,448,876 | 12,571,555 | 14,747,126 | |
| Rate of Return at Proposed Rates | 12.85% | 4.79% | 26.34% | 18.96% | 12.98% | 14.03% | 12.79% | 11.98% | 10.68% | 10.46% | |
| Relative Rate of Return | 1.38 | 0.52 | 2.83 | 2.04 | 1.40 | 1.51 | 1.37 | 1.29 | 1.15 | 1.12 | |
| Subsidy at Proposed ROR | 126,771,269 | (804,691) | 1,531,567 | 1,267,167 | 1,923,228 | 66,598,757 | 30,012,003 | 20,857,573 | 2,677,211 | 2,708,453 | |

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

EXHIBIT __ (SJB-3)

OF

STEPHEN J. BARON

COST OF SERVICE/RATE DESIGN

ON BEHALF OF THE

KROGER CO.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

ARIZONA PUBLIC SERVICE COMPANY
ANALYSIS OF BASE REVENUES BY DETAILED CLASS
TEST YEAR ENDING DECEMBER 31, 2010, ADJUSTED

Revenues without Fuel and Transmission

| Line No. | Customer Classification and Current Rate Designation | Base Revenues under Present Rates ¹ | | 0.037571 | | Total Revenues | | Increase - Base Rates | | Bill Impacts | | |
|----------|--|--|--|----------|-----------|----------------|-----------------------|------------------------------------|-------|----------------------------------|----------------------------------|---------------------------------|
| | | (\$000) | | Less: | Base Fuel | Less: | Fuel and Transmission | Per APS Calculation Amount (\$000) | % | PSA Impact ¹¹ (\$000) | RES Impact ¹² (\$000) | Net Impact on Non-Fuel, Trans % |
| 1 | Residential | | | | | | | | | | | |
| 2 | E-12 | 464,358 | | 138,959 | | 19,267 | 306,132 | 15,668 | 3.37% | 19,718 | (9,003) | 26,383 8.62% |
| 3 | ET-1 | 462,337 | | 155,423 | | 21,553 | 285,360 | 18,566 | 4.02% | 22,054 | (6,573) | 34,047 11.93% |
| 4 | ET-2 | 250,031 | | 65,363 | | 11,604 | 173,064 | 10,039 | 4.02% | 9,275 | (2,727) | 16,587 9.58% |
| 5 | ECT-2 | 104,438 | | 51,272 | | 5,533 | 47,633 | 4,194 | 4.02% | 7,275 | (916) | 10,553 22.15% |
| 6 | ECT-1R | 120,460 | | 52,065 | | 6,250 | 62,145 | 4,837 | 4.02% | 7,388 | (1,140) | 11,085 17.86% |
| 7 | ET-SP | 221 | | 86 | | 10 | 124 | 8 | 3.62% | 12 | (3) | 17 13.68% |
| 8 | E-12 Low Income | 29,008 | | 7,891 | | 1,434 | 19,683 | 2,035 | 7.02% | - | (801) | 1,234 6.27% |
| 9 | ET-1 low income | 18,649 | | 5,388 | | 997 | 12,263 | 1,309 | 7.02% | - | (366) | 943 7.69% |
| 10 | ET-2 low income | 16,008 | | 5,258 | | 753 | 9,997 | 1,124 | 7.02% | - | (209) | 915 9.15% |
| 11 | ECT-2 low income | 2,988 | | 1,059 | | 182 | 1,747 | 210 | 7.03% | - | (35) | 175 10.02% |
| 12 | ECT-1R Low Income | 1,636 | | 560 | | 109 | 966 | 114 | 6.97% | - | (24) | 90 9.31% |
| 13 | Total Residential | 1,470,134 | | 483,325 | | 67,693 | 919,116 | 58,104 | 3.95% | 65,722 | (21,797) | 102,029 11.10% |
| 14 | | | | | | | | | | | | |
| 15 | General Service | | | | | | | | | | | |
| 16 | E-20 | 3,886 | | 1,378 | | 295 | 2,213 | 151 | 3.89% | 195 | (127) | 219 9.90% |
| 17 | E-30 | 1,406 | | 239 | | 27 | 1,141 | 35 | 2.49% | 34 | (31) | 38 3.33% |
| 18 | E-40 | 1 | | - | | - | 1 | | | | | |
| 19 | E-32 XS | 199,177 | | 53,311 | | 6,037 | 139,829 | 4,435 | 2.23% | 7,565 | (6,017) | 5,983 4.25% |
| 20 | E-32 S | 290,021 | | 95,881 | | 13,992 | 180,148 | 6,441 | 2.22% | 13,605 | (10,847) | 9,199 5.11% |
| 21 | E-32 M | 317,315 | | 123,216 | | 14,631 | 179,468 | 8,791 | 2.77% | 17,484 | (3,834) | 22,441 12.50% |
| 22 | E-32 L | 303,798 | | 137,027 | | 13,648 | 153,123 | 8,418 | 2.77% | 19,444 | (929) | 26,933 17.59% |
| 23 | E-32 TOU XS | 633 | | 173 | | 20 | 440 | 13 | 2.05% | 25 | (13) | 25 5.68% |
| 24 | E-32 TOU S | 4,454 | | 1,562 | | 171 | 2,721 | 88 | 1.98% | 222 | (130) | 180 6.62% |
| 25 | E-32 TOU M | 6,385 | | 2,628 | | 242 | 3,515 | 158 | 2.47% | 373 | (68) | 463 13.17% |
| 26 | E-32 TOU L | 22,917 | | 11,107 | | 880 | 10,931 | 635 | 2.77% | 1,576 | (42) | 2,169 19.84% |
| 27 | E-34 | 80,597 | | 40,804 | | 3,832 | 35,962 | 2,476 | 3.07% | 5,790 | (96) | 8,170 22.72% |
| 28 | E-35 | 112,009 | | 62,870 | | 5,069 | 44,070 | 3,772 | 3.37% | 8,921 | (92) | 12,601 28.59% |
| 29 | Total General Service | 1,342,599 | | 530,193 | | 58,844 | 753,562 | 35,413 | 2.64% | 75,234 | (22,226) | 88,421 11.73% |

ARIZONA PUBLIC SERVICE COMPANY
ANALYSIS OF BASE REVENUES BY DETAILED CLASS
TEST YEAR ENDING DECEMBER 31, 2010, ADJUSTED

Revenues without Fuel and Transmission

| Line No. | Customer Classification and Current Rate Designation | Base Revenues under Present Rates ¹ (\$000) | 0.037571 Less: Base Fuel | Total Revenues Less | | Increase - Base Rates Per APS Calculation | | Bill Impacts | | |
|----------|--|--|--------------------------|---------------------|-----------------------|---|-------|----------------------------------|----------------------------------|---------------------------------|
| | | | | Transmission | Fuel and Transmission | Amount (\$000) | % | PSA Impact ¹¹ (\$000) | RES Impact ¹² (\$000) | Net Impact on Non-Fuel, Trans % |
| 30 | | | | | | | | | | |
| 31 | Irrigation and Water Pumping | 26,669 | 11,771 | 2,069 | 12,829 | 966 | 3.62% | 1,670 | (589) | 2,047 |
| 32 | | | | | | | | | | 15.96% |
| 33 | Outdoor Lighting | | | | | | | | | |
| 34 | E-58 | 10,107 | 1,248 | 138 | 8,721 | 371 | 3.67% | 177 | (89) | 459 |
| 35 | E-59 | 9,701 | 3,513 | 396 | 5,792 | 346 | 3.57% | 498 | (52) | 792 |
| 36 | Contract 12 | 1,013 | 432 | 42 | 539 | 35 | 3.46% | 61 | (18) | 78 |
| 37 | E-67 | 178 | 129 | 13 | 36 | 9 | 5.06% | 18 | (17) | 10 |
| 38 | Total Outdoor Lighting | 20,999 | 5,322 | 590 | 15,087 | 761 | 3.62% | 754 | (176) | 1,339 |
| 39 | | | | | | | | | | 8.87% |
| 40 | Dusk to Dawn Lighting | 8,457 | 925 | 104 | 7,428 | 249 | 2.94% | 131 | (123) | 257 |
| 41 | | | | | | | | | | 3.46% |
| 42 | Total Sales to Ultimate Retail Customers | 2,868,858 | 1,031,536 | 129,301 | 1,708,022 | 95,493 | 3.33% | 143,511 | (44,911) | 194,093 |
| | | | | | | | | | | 11.36% |

NOTES TO SCHEDULE:

- 1) Base Revenues under Present Rates reflect adjusted test year revenues based on rates established in Decision No. 71448.
- 2) Share the Light Rate Schedules are included in Rate Schedule E-58.
- 3) Rider rate schedules are included in the "Parent" rate schedules listed on schedule H-2 as applicable.
Riders include: E-3, E-4, CPP-RES, CMPW-01, E-53, E-54, PPR, CPP-GS, Solar-2, Solar-3, GPS-1, GPS-2, GPS-3, EPR-2, EPR-6, E-56, and SC-5.
- 4) Rate Schedule E-36 is not included as proposed price changes are market-related.
- 5) Dusk to Dawn Lighting customers are included in residential and general service counts as this service is included on each customer's primary billing.
- 6) Transmission revenues based on OATT charges effective during test year.
- 7) Rate Schedules GS Schools M, GS-Schools L have no revenue or customers.
- 8) Rate E-40 proposed revenue is reflected in E-32 M
- 9) Excludes 144,149 MWh of revenue credits, total sales with revenue credits = 27,833,756 MWh
- 10) Reflects increase in PSA revenues due to requested decrease in base fuel rate.
- 11) Reflects decrease in RES revenues due to requested transfer of RES funds to base rates.
- 12)

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

**EXHIBIT __ (SJB-4)
OF
STEPHEN J. BARON
COST OF SERVICE/RATE DESIGN**

**ON BEHALF OF THE
KROGER CO.**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

Recommended Rate Spread Analysis

| | ACC JURISDICTION | | | | | |
|--|------------------------|--------------------|---------------------------|---------------------------------|---------------------------|-------------------------|
| | TOTAL RETAIL (5) | RESIDENTIAL (6) | GENERAL SERVICE (7) | E-221 (Water Pumping) (8) | STREET LIGHTING (9) | DUSK TO DAWN (10) |
| Revenues, less Fuel and Transmission | 1,708,022 | 919,116 | 753,562 | 12,829 | 15,087 | 7,428 |
| APS Proposed Increase - Base Rates | 95,493 | 58,104 | 35,413 | 966 | 761 | 249 |
| APS Proposed Net PSA, RES Revenue Increase | 98,600 | 43,925 | 53,008 | 1,081 | 578 | 8 |
| APS Proposed Increase - NET | 194,093 | 102,029 | 88,421 | 2,047 | 1,339 | 257 |
| Percent Increase | 11.36% | 11.10% | 11.73% | 15.96% | 8.87% | 3.46% |
| Total Increase Requested - Equal ROR | 95,493 | 182,265 | (91,358) | 2,448 | 2,351 | (213) |
| APS Proposed Net PSA, RES Revenue Increase | 98,600 | 43,925 | 53,008 | 1,081 | 578 | 8 |
| Total Increase @ Equal ROR - NET | 194,093 | 226,190 | (38,350) | 3,529 | 2,929 | (205) |
| Percent Increase | 11.36% | 24.61% | -5.09% | 27.51% | 19.41% | -2.76% |
| Recommended Proposed Rate Spread - Percent Incre | 11.36% | 14.36% | 7.63% | 14.36% | 14.36% | 7.63% |
| Total Increase @ Equal ROR - NET | 194,093 | 132,018 | 57,498 | 1,843 | 2,167 | 567 |
| Percentage Point Deviation From Average Increase | 0.00% | 3.00% | -3.73% | 3.00% | 3.00% | -3.73% |

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS**

**IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR VALUE)
OF THE UTILITY PROPERTY OF THE COMPANY) Docket No. E-01345A-11-0224
FOR RATEMAKING PURPOSES, TO FIX A JUST)
AND REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN)**

EXHIBIT __ (SJB-5)

OF

STEPHEN J. BARON

COST OF SERVICE/RATE DESIGN

ON BEHALF OF THE

KROGER CO.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

RATE E-32 L
TYPICAL BILL ANALYSIS - WINTER

| kW | Load Factor | Monthly kWh | Monthly Bill under | | Components of Proposed Bill | | Monthly Bill under Proposed Rates | | Change | | Impact of PSA Roll-in | Impact of RES/REAC Roll-in | Net Change | |
|-------|-------------|-------------|--------------------|------------|-----------------------------|------------|-----------------------------------|----------------|------------|-------|-----------------------|----------------------------|------------|-------|
| | | | Present Rates | Base | Transmission | Base | Transmission | Proposed Rates | Amount(\$) | % | | | Amount(\$) | % |
| 401 | 15% | 43,910 | 6,191.67 | 7,301.67 | 635.59 | 7,301.67 | 635.59 | 7,937.26 | 1,745.58 | 28.2% | 234.09 | (89.37) | 1,890.30 | 30.5% |
| 401 | 30% | 87,819 | 9,573.93 | 9,167.38 | 635.59 | 9,167.38 | 635.59 | 9,802.97 | 229.04 | 2.4% | 468.19 | (89.37) | 607.86 | 6.3% |
| 401 | 45% | 131,729 | 11,435.26 | 11,033.10 | 635.59 | 11,033.10 | 635.59 | 11,668.69 | 233.43 | 2.0% | 702.28 | (89.37) | 846.34 | 7.4% |
| 401 | 60% | 175,638 | 13,296.58 | 12,898.81 | 635.59 | 12,898.81 | 635.59 | 13,534.40 | 237.82 | 1.8% | 936.38 | (89.37) | 1,084.83 | 8.2% |
| 401 | 75% | 219,548 | 15,157.90 | 14,764.53 | 635.59 | 14,764.53 | 635.59 | 15,400.12 | 242.21 | 1.6% | 1,170.47 | (89.37) | 1,323.31 | 8.7% |
| 600 | 15% | 65,700 | 9,022.22 | 10,677.83 | 951.00 | 10,677.83 | 951.00 | 11,628.83 | 2,606.61 | 28.9% | 350.27 | (89.37) | 2,867.51 | 31.8% |
| 600 | 30% | 131,400 | 14,082.96 | 13,469.43 | 951.00 | 13,469.43 | 951.00 | 14,420.43 | 337.47 | 2.4% | 700.53 | (89.37) | 948.63 | 6.7% |
| 600 | 45% | 197,100 | 16,867.98 | 16,261.02 | 951.00 | 16,261.02 | 951.00 | 17,212.02 | 344.04 | 2.0% | 1,050.80 | (89.37) | 1,305.47 | 7.7% |
| 600 | 60% | 262,800 | 19,653.00 | 19,052.61 | 951.00 | 19,052.61 | 951.00 | 20,003.61 | 350.61 | 1.8% | 1,401.07 | (89.37) | 1,662.30 | 8.5% |
| 600 | 75% | 328,500 | 22,438.03 | 21,844.21 | 951.00 | 21,844.21 | 951.00 | 22,795.21 | 357.18 | 1.6% | 1,751.33 | (89.37) | 2,019.14 | 9.0% |
| 800 | 15% | 87,600 | 11,866.99 | 14,070.96 | 1,268.00 | 14,070.96 | 1,268.00 | 15,338.96 | 3,471.97 | 29.3% | 467.02 | (89.37) | 3,849.62 | 32.4% |
| 800 | 30% | 175,200 | 18,614.64 | 17,793.09 | 1,268.00 | 17,793.09 | 1,268.00 | 19,061.09 | 446.45 | 2.4% | 934.04 | (89.37) | 1,291.12 | 6.9% |
| 800 | 45% | 262,800 | 22,328.00 | 21,515.21 | 1,268.00 | 21,515.21 | 1,268.00 | 22,783.21 | 455.21 | 2.0% | 1,401.07 | (89.37) | 1,766.90 | 7.9% |
| 800 | 60% | 350,400 | 26,041.37 | 25,237.34 | 1,268.00 | 25,237.34 | 1,268.00 | 26,505.34 | 463.97 | 1.8% | 1,868.09 | (89.37) | 2,242.68 | 8.6% |
| 800 | 75% | 438,000 | 29,754.73 | 28,959.46 | 1,268.00 | 28,959.46 | 1,268.00 | 30,227.46 | 472.73 | 1.6% | 2,335.11 | (89.37) | 2,718.47 | 9.1% |
| 1,000 | 15% | 109,500 | 14,711.76 | 17,464.10 | 1,585.00 | 17,464.10 | 1,585.00 | 19,049.10 | 4,337.34 | 29.5% | 583.78 | (89.37) | 4,831.74 | 32.8% |
| 1,000 | 30% | 219,000 | 23,146.32 | 22,116.75 | 1,585.00 | 22,116.75 | 1,585.00 | 23,701.75 | 555.43 | 2.4% | 1,167.56 | (89.37) | 1,633.61 | 7.1% |
| 1,000 | 45% | 328,500 | 27,788.03 | 26,769.41 | 1,585.00 | 26,769.41 | 1,585.00 | 28,354.41 | 566.38 | 2.0% | 1,751.33 | (89.37) | 2,228.34 | 8.0% |
| 1,000 | 60% | 438,000 | 32,429.73 | 31,422.06 | 1,585.00 | 31,422.06 | 1,585.00 | 33,007.06 | 577.33 | 1.8% | 2,335.11 | (89.37) | 2,823.07 | 8.7% |
| 1,000 | 75% | 547,500 | 37,071.44 | 36,074.72 | 1,585.00 | 36,074.72 | 1,585.00 | 37,659.72 | 588.28 | 1.6% | 2,918.89 | (89.37) | 3,417.79 | 9.2% |
| 1,500 | 15% | 164,250 | 21,823.69 | 25,946.92 | 2,377.50 | 25,946.92 | 2,377.50 | 28,324.42 | 6,500.74 | 29.8% | 875.67 | (89.37) | 7,287.03 | 33.4% |
| 1,500 | 30% | 328,500 | 34,475.53 | 32,925.91 | 2,377.50 | 32,925.91 | 2,377.50 | 35,303.41 | 827.88 | 2.4% | 1,751.33 | (89.37) | 2,489.84 | 7.2% |
| 1,500 | 45% | 492,750 | 41,438.08 | 39,904.89 | 2,377.50 | 39,904.89 | 2,377.50 | 42,282.39 | 844.31 | 2.0% | 2,627.00 | (89.37) | 3,381.93 | 8.2% |
| 1,500 | 60% | 657,000 | 48,400.64 | 46,883.87 | 2,377.50 | 46,883.87 | 2,377.50 | 49,261.37 | 860.73 | 1.8% | 3,502.67 | (89.37) | 4,274.02 | 8.8% |
| 1,500 | 75% | 821,250 | 55,363.20 | 53,862.85 | 2,377.50 | 53,862.85 | 2,377.50 | 56,240.35 | 877.15 | 1.6% | 4,378.33 | (89.37) | 5,166.11 | 9.3% |
| 3,000 | 15% | 328,500 | 43,159.46 | 51,395.41 | 4,755.00 | 51,395.41 | 4,755.00 | 56,150.41 | 12,990.95 | 30.1% | 1,751.33 | (268.13) | 14,474.15 | 33.5% |
| 3,000 | 30% | 657,000 | 68,463.14 | 65,353.37 | 4,755.00 | 65,353.37 | 4,755.00 | 70,108.37 | 1,645.23 | 2.4% | 3,502.67 | (268.13) | 4,879.77 | 7.1% |
| 3,000 | 45% | 985,500 | 82,388.26 | 79,311.34 | 4,755.00 | 79,311.34 | 4,755.00 | 84,066.34 | 1,678.08 | 2.0% | 5,254.00 | (268.13) | 6,663.95 | 8.1% |
| 3,000 | 60% | 1,314,000 | 96,313.37 | 93,269.30 | 4,755.00 | 93,269.30 | 4,755.00 | 98,024.30 | 1,710.93 | 1.8% | 7,005.33 | (268.13) | 8,448.13 | 8.8% |
| 3,000 | 75% | 1,642,500 | 110,238.49 | 107,227.27 | 4,755.00 | 107,227.27 | 4,755.00 | 111,982.27 | 1,743.78 | 1.6% | 8,756.66 | (268.13) | 10,232.31 | 9.3% |

RATE E-32 L
TYPICAL BILL ANALYSIS - SUMMER

| kW | Load Factor | Monthly kWh | Monthly Bill under | | Components of Proposed Bill | | Monthly Bill under | | Change | | Impact of PSA Roll-in | Impact of RES/REAC Roll-in | Net Change | |
|-------|-------------|-------------|--------------------|--------------|-----------------------------|--------------|--------------------|------------|--------|------------|-----------------------|----------------------------|------------|--|
| | | | Present Rates | Transmission | Base | Transmission | Proposed Rates | Amount(\$) | % | Amount(\$) | | | % | |
| | | | | | | | | | | | | | | |
| 401 | 15% | 43,910 | 6,921.89 | 635.59 | 8,041.98 | 635.59 | 8,677.57 | 1,755.68 | 25.4% | 234.09 | (89.37) | 1,900.40 | 27.5% | |
| 401 | 30% | 87,819 | 11,034.36 | 635.59 | 10,648.01 | 635.59 | 11,283.60 | 249.24 | 2.3% | 468.19 | (89.37) | 628.05 | 5.7% | |
| 401 | 45% | 131,729 | 13,625.90 | 635.59 | 13,254.04 | 635.59 | 13,889.63 | 263.73 | 1.9% | 702.28 | (89.37) | 876.64 | 6.4% | |
| 401 | 60% | 175,638 | 16,217.44 | 635.59 | 15,860.07 | 635.59 | 16,495.66 | 278.22 | 1.7% | 936.38 | (89.37) | 1,125.22 | 6.9% | |
| 401 | 75% | 219,548 | 18,808.98 | 635.59 | 18,466.10 | 635.59 | 19,101.69 | 292.71 | 1.6% | 1,170.47 | (89.37) | 1,373.81 | 7.3% | |
| 600 | 15% | 65,700 | 10,114.81 | 951.00 | 11,785.54 | 951.00 | 12,736.54 | 2,621.72 | 25.9% | 350.27 | (89.37) | 2,882.62 | 28.5% | |
| 600 | 30% | 131,400 | 16,268.14 | 951.00 | 15,684.83 | 951.00 | 16,635.83 | 367.69 | 2.3% | 700.53 | (89.37) | 978.85 | 6.0% | |
| 600 | 45% | 197,100 | 20,145.75 | 951.00 | 19,584.13 | 951.00 | 20,535.13 | 389.37 | 1.9% | 1,050.80 | (89.37) | 1,350.80 | 6.7% | |
| 600 | 60% | 262,800 | 24,023.37 | 951.00 | 23,483.42 | 951.00 | 24,434.42 | 411.05 | 1.7% | 1,401.07 | (89.37) | 1,722.75 | 7.2% | |
| 600 | 75% | 328,500 | 27,900.98 | 951.00 | 27,382.72 | 951.00 | 28,333.72 | 432.73 | 1.6% | 1,751.33 | (89.37) | 2,094.69 | 7.5% | |
| 800 | 15% | 87,600 | 13,323.78 | 1,268.00 | 15,547.90 | 1,268.00 | 16,815.90 | 3,492.12 | 26.2% | 467.02 | (89.37) | 3,869.77 | 29.0% | |
| 800 | 30% | 175,200 | 21,528.21 | 1,268.00 | 20,746.96 | 1,268.00 | 22,014.96 | 486.75 | 2.3% | 934.04 | (89.37) | 1,331.42 | 6.2% | |
| 800 | 45% | 262,800 | 26,698.37 | 1,268.00 | 25,946.02 | 1,268.00 | 27,214.02 | 515.65 | 1.9% | 1,401.07 | (89.37) | 1,827.35 | 6.8% | |
| 800 | 60% | 350,400 | 31,868.52 | 1,268.00 | 31,145.08 | 1,268.00 | 32,413.08 | 544.56 | 1.7% | 1,868.09 | (89.37) | 2,323.28 | 7.3% | |
| 800 | 75% | 438,000 | 37,038.67 | 1,268.00 | 36,344.14 | 1,268.00 | 37,612.14 | 573.47 | 1.5% | 2,335.11 | (89.37) | 2,819.21 | 7.6% | |
| 1,000 | 15% | 109,500 | 16,532.75 | 1,585.00 | 19,310.27 | 1,585.00 | 20,895.27 | 4,362.52 | 26.4% | 583.78 | (89.37) | 4,856.92 | 29.4% | |
| 1,000 | 30% | 219,000 | 26,788.29 | 1,585.00 | 25,809.09 | 1,585.00 | 27,394.09 | 605.80 | 2.3% | 1,167.56 | (89.37) | 1,683.98 | 6.3% | |
| 1,000 | 45% | 328,500 | 33,250.98 | 1,585.00 | 32,307.92 | 1,585.00 | 33,892.92 | 641.93 | 1.9% | 1,751.33 | (89.37) | 2,303.89 | 6.9% | |
| 1,000 | 60% | 438,000 | 39,713.67 | 1,585.00 | 38,806.74 | 1,585.00 | 40,391.74 | 678.07 | 1.7% | 2,335.11 | (89.37) | 2,923.81 | 7.4% | |
| 1,000 | 75% | 547,500 | 46,176.36 | 1,585.00 | 45,305.57 | 1,585.00 | 46,890.57 | 714.21 | 1.5% | 2,918.89 | (89.37) | 3,543.72 | 7.7% | |
| 1,500 | 15% | 164,250 | 24,555.16 | 2,377.50 | 28,716.18 | 2,377.50 | 31,093.68 | 6,538.52 | 26.6% | 875.67 | (89.37) | 7,324.81 | 29.8% | |
| 1,500 | 30% | 328,500 | 39,938.48 | 2,377.50 | 38,464.42 | 2,377.50 | 40,841.92 | 903.43 | 2.3% | 1,751.33 | (89.37) | 2,565.39 | 6.4% | |
| 1,500 | 45% | 492,750 | 49,632.52 | 2,377.50 | 48,212.65 | 2,377.50 | 50,590.15 | 957.64 | 1.9% | 2,627.00 | (89.37) | 3,495.26 | 7.0% | |
| 1,500 | 60% | 657,000 | 59,326.55 | 2,377.50 | 57,960.89 | 2,377.50 | 60,338.39 | 1,011.84 | 1.7% | 3,502.67 | (89.37) | 4,425.13 | 7.5% | |
| 1,500 | 75% | 821,250 | 69,020.59 | 2,377.50 | 67,709.13 | 2,377.50 | 70,086.63 | 1,066.04 | 1.5% | 4,378.33 | (89.37) | 5,355.00 | 7.8% | |
| 3,000 | 15% | 328,500 | 48,622.42 | 4,755.00 | 56,933.92 | 4,755.00 | 61,688.92 | 13,066.50 | 26.9% | 1,751.33 | (268.13) | 14,549.70 | 29.9% | |
| 3,000 | 30% | 657,000 | 79,389.05 | 4,755.00 | 76,430.39 | 4,755.00 | 81,185.39 | 1,796.34 | 2.3% | 3,502.67 | (268.13) | 5,030.88 | 6.3% | |
| 3,000 | 45% | 985,500 | 98,777.12 | 4,755.00 | 95,926.87 | 4,755.00 | 100,681.87 | 1,904.75 | 1.9% | 5,254.00 | (268.13) | 6,890.61 | 7.0% | |
| 3,000 | 60% | 1,314,000 | 118,165.19 | 4,755.00 | 115,423.34 | 4,755.00 | 120,178.34 | 2,013.15 | 1.7% | 7,005.33 | (268.13) | 8,750.35 | 7.4% | |
| 3,000 | 75% | 1,642,500 | 137,553.26 | 4,755.00 | 134,919.82 | 4,755.00 | 139,674.82 | 2,121.55 | 1.5% | 8,756.66 | (268.13) | 10,610.09 | 7.7% | |